

FINANCIAL COMMERCIAL CHRONICLE

(Reg. U. S. Pat. Office)

Volume 156 Number 4102

New York, N. Y., Thursday, August 27, 1942

Price 60 Cents a Copy

P. Johnston 25 Years With Chemical Bank

Mr. Percy H. Johnston, Chairman of the Board of the Chemical Bank & Trust Company, is celebrating his 25th anniversary with the bank today.



Percy H. Johnston

Mr. Johnston began his banking career in his native town of Lebanon, Kentucky, as a clerk in the Marion National Bank. At the age of 26, he became a national bank examiner, and when he was 30 years old he was made one of four national bank examiners at large. He held this position until he became a Vice-President of the Citizens National Bank, Louisville, Kentucky, at the age of 32.

On Aug. 27, 1917, Mr. Johnston came to New York as a Vice-President and Director of the Chemical Bank and was elected President in 1920 at the age of 39. In 1931, he was elected Chairman of the Board and acted as both Chairman and President until 1935 when he relinquished the Presidency, continuing as Chairman and Chief Executive Officer of the bank, which position he now holds.

In the Chemical Bank's 118 years of existence, the period covered by Mr. Johnston's tenure of office has been as varied and difficult as any in the country's economic and political history. The bank's remarkable growth under Mr. Johnston's leadership is reflected in a comparison of its statement of Mar. 31, 1917, with that of Mar. 31, 1942, which emphasizes the tremendous strides

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Our Reporter On "Governments"

For weeks now, reports have been circulating among financiers concerning an impending and "approved" rise in the short-term interest rates. . . . Every decline in excess reserves, particularly of New York City and Chicago banks, has brought renewed stories to that effect. . . . Every announcement of the award of discount bills—at admittedly advancing rates—has intensified rumors that the Treasury and Federal Reserve System cannot hold the rate even if they wanted to. . . . Now, though, a minor revision in reserve requirements of New York City and Chicago banks has been made effective. . . . The requirements have been cut from 26 to 24%—an insignificant change but one permitting a \$340,000,000 addition to surplus funds here and a \$70,000,000 addition to surplus funds in Chicago. . . . And suddenly, presto! . . . Fears of hardening of short-term rates for more than temporary periods, have disappeared.

This seems timidity carried to an extreme. . . . Either one believes the Government has (1) the ability and (2) the willingness to maintain interest rates at these levels or one doesn't. . . . Either one is convinced of the magnificent manner in which this market has been controlled and of the power of the supporting devices at the disposal of the authorities or one isn't. . . . Either one sees this Government market (long- and short-term list) as a whole and as part of the entire pattern of war financing or one doesn't. . . . To cut this discussion short, this writer believes (1) in the ability and willingness; (2) in the magnificence of control and (3) in this market as an essential, pivotal part of the war financing pattern. . . .

Under those circumstances, first the rumors of an impending rise of important proportions and then the ending of the rumors appears to this writer to be unjustified weakness in financial analysis. . . .

MORE CUTS

It's entirely possible that some rise in short-term rates will be permitted over the coming months. . . . Already, there has been an advance. . . . The statistics at your disposal will prove that right off. . . . Commercial paper rates and the discount rate may be allowed to go up another minor degree. . . . But an infinitesimal advance in these highly sensitive rates just doesn't seem important enough to talk about. . . . What we—and that "we" includes the tens of thousands of institutional investors in Governments in the United States—are interested in is the major trend of the Government market. . . . Not intermediate changes. . . . And every sign we've seen indicates the Treasury and Federal Reserve System have full intentions of maintaining the major trend in a direction permitting the most comfortable war borrowing activities. . . . As long as the long-term market is held at current rates and only minor changes are permitted in the shortest-term list, there seems no argument over what is to happen to interest rates. . . .

Apparently, the Federal Reserve's program is to ease reserve requirements by gradual stages. . . . To ease the market "easily," in more colorful words. . . . The first move brought the requirements of the two big and most pressed cities from 26 to 24%. . . . Under the amendment to the Federal Reserve Act, passed July 7, the Reserve Board may bring these rates down to 20%. . . . In the ten other Federal Reserve cities, the requirement level is at 20%. . . . In the cities characterized at the next lower level, the requirement

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SEC Told That NASD Could Not Get Counsel To Approve Legality Of Minimum Capital Plan

In a letter sent to the Securities and Exchange Commission under date of Aug. 18, Frank Dunne, President of the New York Security Dealers Association, characterized the statement made by the NASD spokesman before the SEC hearing Aug. 13 on the minimum capital rule "a model of vagueness and generality," and declared that both the statement and the Association's exhibits merely emphasized the arguments made by him in opposing the plan. Mr. Dunne had reference to the statement prepared by Robert W. Baird, Treasurer of the NASD.

Mr. Dunne also informed the Commission that the statement in question failed to support "by argument, citation or statutory reference," the vital question as to the legality of the Association's action in promulgating the rule. The Association, he asserted, must have had a legal opinion as to the validity of its action and maintained that "its absence from the record justifies the inference that it was unfavorable to the Governing Board's position."

Mr. Dunne's letter is reproduced herewith: Securities and Exchange Commission, Philadelphia, Pa. Gentlemen:

Since appearing before your body on August 13 in opposition to the amendment to Article 1 of Section 1 of the By-Laws of the National Association of Securities Dealers, Inc., I have had an opportunity to read the statement made by Robert W. Baird and the exhibits introduced into the record by the NASD. It seems to me that both the statement and the exhibits add considerable emphasis to what I said in my argument.

Mr. Baird's statement was certainly a model of vagueness and generality. To illustrate what I mean, let me point out what he said regarding the legality of the Association's action in adopting the amendment: "With respect to the question of power, the Board of Governors naturally surveyed this matter carefully and thoroughly, and its own conclusions obviously are suggested by its action in promulgating the rule."

That sentence is carefully designed to say little, but, nevertheless, to lead your body to infer

that the Board of Governors believes the amendment can legally be adopted. But Mr. Baird does not say so, nor does he in any way support by argument, citation or statutory reference, the "conclusions" that are "obviously suggested."

Reference to the Association's exhibits reveals that considerable effort was employed to solicit opinions of various State securities laws administrators on the general subject, but conspicuous by its absence is any opinion of counsel on the legality of the Association's action.

Mr. Baird said that the Board "surveyed this matter carefully and thoroughly." Surely then it must have had a legal opinion and the only inference I can draw from its absence from the record is that it was unfavorable to the Board's position, as in truth it must have been. Am I not correct in believing that my inference is much stronger than the "red herring" one that Mr. Baird drew across this vitally important aspect of the proceedings?

Mr. Baird concedes that wealth

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R. M. Schmidt Elected Blyth Co., Vice-Pres.

Reginald M. Schmidt has been elected Vice President of Blyth & Co., Inc., 14 Wall Street, New York City. He joined the firm in 1932 and is in charge of municipal operations in New York. He is a past governor of the Municipal Bond Club of New York.

Bank Stock Interesting

The present outlook for the stock of the National City Bank of New York is very interesting and offers considerable possibilities, according to a study just issued by Butler-Huff & Co. of California, 210 West Seventh Street, Los Angeles, Calif. Copies of the circular discussing the situation in detail may be had from the firm upon request.

Cement Stock Attractive

According to a circular just issued by Hartley Rogers & Company, 1411 Fourth Avenue Building, Seattle, Wash., the class "B" stock of Superior Portland Cement, Inc. offers attractive possibilities in view of the current gains in cement production. Copies of the circular containing interesting details may be had from the firm upon request.

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THE BOND SELECTOR**REPUBLIC OF CUBA 4½s, 1977**

Recent Weakness in This Issue as a Result of Confirmation of Warren Brothers Reorganization Offers Opportunity of Price Appreciation and Good Yield

Readers of this column will recall the details of the reorganization plan of Warren Brothers Company, an important part of which consisted of settlement by the Republic of Cuba of the company's claims for construction work completed in 1931. Under the terms of the settlement, the Cuban Government paid to Warren Brothers \$8,702,000 in Cuban bonds—\$4,323,300 principal amount of External 4½s, 1977, and \$4,379,600 of External 4½s, 1955. Under the reorganization plan, Warren Brothers pledged \$4,150,300 of each issue behind an equivalent amount of its own bonds which were issued. Under the terms of the indenture, the company is obligated to sell within three months of consummation of plan all its Cuban bonds which are not pledged. In consequence of the imminence of approval of the reorganization, and the expectation of sizable amounts of the 4½s, 1977, coming into the market, this Cuban issue has been extremely weak.

Aside from this technical aspect of the market for the Cuban 4½s, 1977, there is nothing in the picture to justify the bonds selling in the low 70s and yielding around 6.50%. In fact, at current levels the bonds are believed to be extremely attractive both for income and for the chances of profit marketwise.

The overall Cuban situation, which looked none too appealing eight or nine months ago, has improved considerably and now looks extremely favorable. The most important item in the economic position of Cuba at present is the fact that the 1942 sugar crop has been bought by the United States. Whether or not the United States is so fortunate as to be able to ship this sugar here, it makes no difference to Cuba insofar as the financial arrangements are concerned. Under a recent agreement worked out with Defense Supplies Corporation, the United States is advancing, free of charge, up to 90% of the value of the 1942 sugar crop as soon as the sugar is placed in warehouses on the island. This involves payment of between \$150,000,000 and \$200,000,000 to the Cuban sugar industry.

Now that the 1942 crop is no longer a problem, interest centers around the coming crop. A mission from this country recently went to Cuba for the purpose of conducting preliminary negotiations for acquisition of the entire 1943 output. The mission returned without signing a contract, which has left the matter up in the air, but Cuban sugar interests are glad that no price tag has been placed on the sugar while production costs are rising.

The Cuban Sugar Institute has warned producers against over-optimism regarding the amount of sugar which might be taken over by the United States next year.

(Continued on page 720)

D. Royce Transferred To Blyth L. A. Office

CHICAGO, ILL.—Donald Royce, Vice-President of Blyth & Co., Inc. and manager of its Chicago office, 135 South La Salle Street, has been appointed to supervise sales production for the firm in the southern California territory, and will make his headquarters in the Los Angeles office, 215 West Sixth Street. The transfer of Mr. Royce to Los Angeles occasions changes affecting other personnel of the Chicago organization. Alfred S. Wiltberger, heretofore in charge of wholesaling activities, will succeed Royce as manager of the office, and T. Henry Boyd, who has been manager of the Municipal Department, will continue in that department with headquarters in the New York office. Hiram H. Belding, Jr. will become the head of the institutional and city sales department in Chicago and Harold A. Talbert will be in charge of sales outside of Chicago.

Mr. Royce is well known on the Pacific Coast, having been in the investment business there for a number of years before associating himself with Blyth & Co., Inc. in Chicago.

Rail Outlook Promising

There can be no doubt that railroad earnings, which aggregated \$289,000,000 in the first six months of 1942, will be both large and sustained for the duration of the war, according to the current bulletin of Strauss Bros., 32 Broadway, New York City, entitled "Promising Outlook for Rails."

Regarding the threat of air transportation, the study states that many years of experiment and organization will be necessary for peace-time operation of air freight. Air transportation cannot effectively compete with rails or even ships where time and distance do not sufficiently compensate for mass transportation.

"It is not improbable that we are placing too much emphasis on the word 'competition' itself," the bulletin continues. . . . "Carrying the brunt of our war-time transportation, it would appear that railroads will long remain an essential bulwark in our carrier system."

Ledyard & Kidd To Be J. Bradford Partners

NASHVILLE, TENN.—Quitman R. Ledyard and William E. Kidd will be admitted to partnership in J. C. Bradford & Co., 418 Union Street, members of the New York Stock Exchange. Mr. Ledyard has been president and treasurer of Nunn, Schwab & Co. with which firm he has been associated for many years. In the past he was with Gray, Shillinglaw & Co. and was manager of the municipal department of the American National Company. Mr. Kidd is general manager of J. C. Bradford & Co. and in the past was with Elder & Co.

Heavy Post-War Taxes To Pay Off War Debt

President Roosevelt believes the American war debt can be paid off after the war ends by continuing heavy war-time taxes and cutting government expenditures to the bone, it was learned on Aug. 12, said the United Press, which in a Washington account said in part:

"The President's plan for amortizing the cost of the war in post-war years was outlined by him recently in talks with national leaders.

"Mr. Roosevelt, it was reported authoritatively, believes heavy taxes should be continued long enough to pay off the billions being spent now.

"Total government expenditures this fiscal year are expected to reach \$77,000,000,000, and the President foresees a public debt of about \$175,000,000,000 by the end of the war. By cutting government expenditures to a peace level of about \$10,000,000,000 and continuing a tax load of about \$20,000,000,000, the Chief Executive believes the debt can be amortized.

Prolongation of the war for a number of years, of course, would put the public debt higher than the \$175,000,000,000 foreseen now by Mr. Roosevelt. His ideas about amortization, however, would remain basically the same, according to his recent conferees.

"The President's plan has the dual purpose of preventing a runaway post-war inflation and paying off the war debt.

Maintaining Wholesale And Retail Markets For Over-the-Counter Securities

By WHITMAN C. HAFF

The proposed new rule of the Securities & Exchange Commission compelling over-the-counter dealers to quote markets to their customers at the time of a transaction brings to the fore the question of strictly maintaining wholesale and retail markets for over-the-counter securities.

It is a well known fact that no rule has been enforced governing such markets. In fact, there does not seem to be even an ethical rule regarding the question. Yet buying and selling securities in the over-the-counter wholesale market, or dealers' market, plus the regular Stock Exchange commission is not only unfair to the dealers who buy wholesale and sell retail at a net price, but loses many customers for them. Why should an investor be able to buy and sell at the same price as a dealer?

There should be a wholesale and a retail market such as other industries enjoy.

On the Stock Exchange there is only one market, as every one knows, and that is a retail market, unless one can call selling large blocks of stocks less a concession a wholesale market. What would become of the dealer who split his commission with his customer on such a deal?

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Form Heath & Co. In Elgin

(Special to The Financial Chronicle)

ELGIN, ILL.—Heath & Company, Inc., has been formed with offices in the Elgin Tower Building, to engage in a general securities business. Officers of the new firm are David L. Heath, President and Treasurer; Alice J. Heath, Vice-President, and Barbara J. Wechter, Secretary. Mr. Heath was previously Vice-President of Alexander & Company in charge of the Elgin office, with which Miss Wechter was also connected.

Harley A. Nehring and Lawrence E. Ricketts, both previously with the local office of Alexander & Company, are now associated with Heath & Company, Inc.

In Enlarged Quarters

SHEBOYGAN, WIS.—Walter J. Brand & Company, Inc., announces its removal to new and enlarged quarters in the Security National Bank Building. "The enlargement of our quarters," Mr. Brand declared, "has been made necessary by the increased number of our clientele and the promise of a bright future for the investor in conservative securities."

COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office
 William B. Dana Company
 Publishers
 25 Spruce Street, New York
 BEekman 3-3341
 Herbert D. Seibert,
 Editor and Publisher
 William Dana Seibert, President
 William D. Riggs, Business Manager
 Thursday, August 27, 1942
 Published twice a week (every Thursday (general news and advertising issue) with a statistical issue on Monday)
 Other offices: Chicago—in charge of Fred H. Gray, Western Representative, Field Building (Telephone State 0613); London—Edwards & Smith, 1 Drapers' Gardens, London, E.C.
 Copyright 1942 by William B. Dana Company.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of Mar. 3, 1879.

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

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Opposes Increased Estate & Gift Taxes

Appearing before the Senate Finance Committee as a member of the Committee on Federal Finance of the United States Chamber of Commerce, Roy C. Osgood, Vice-President of the First National Bank of Chicago, testified on Aug. 12 on the estate and gift tax aspects of the Revenue Bill of 1942. One of four members of the Chamber committee to present statements to the Senate group that day Mr. Osgood analyzed the pending measure by discussing phases of the bill as passed by the House of Representatives as compared with the proposals advanced by the Treasury Department before the House Ways and Means Committee. Pointing out that the House committee recognized that death taxes in the United States already closely approximate those of Great Britain and Canada, Mr. Osgood said:

"The House Ways and Means Committee is to be congratulated on its rejection of the Treasury proposal to increase the present high estate and gift tax rates. We trust this committee will make the same decision."

Mr. Osgood urged continuation of the present \$40,000 general exemption and \$40,000 specific exemption for insurance and rejection of the House bill proposal of one overall exemption of \$60,000 and provision of tax-free reserves for payment of estate taxes, provided by earmarked insurance or other liquid assets. Provisions of the revenue acts adopted during and immediately after the first World War, which accorded special exemptions from estate taxes to members of the armed forces dying from causes attributable to military service, were called to the attention of the Senate Committee by Mr. Osgood. He also discussed various technical and administrative amendments to the estate tax law provided in the House measure.

Mr. Osgood in giving his reasons

To Enforce Utility "Death Sentence"

Strict enforcement of the "death sentence" provisions of the Public Utility Holding Company Act by the Securities and Exchange Commission will be insisted upon, it was asserted on Aug. 24 by Robert E. Healy, member of the SEC. In an address before a meeting of the public utility law section of the American Bar Association at Detroit, Mr. Healy said that problems which the SEC faces in administering the Holding Company Act have been accentuated by conditions resulting from the national war effort.

Mr. Healy, who heads the Bar Association's section, stressed the fact that he was speaking as a reporter rather than as a SEC commissioner.

He further said, according to Detroit advices to the New York "Herald Tribune":

"The Commission has taken the position that sound financial structures and practices must continue to be an objective of the Act's administration and that if anything, the entry of the United States into the war has emphasized the need for attaining this objective.

"Whatever its evils in normal times, the luxury of unsound utility financing can be afforded even less by the nation at this time.

"Present conditions have particular significance for enforcement of Section 11 of the act. The Commission takes the view that war-time exigencies may well increase pressure upon the holding company managements to come to grips with the serious problems of putting the operating companies into shape to finance new construction requirements promptly by such means as will permit flexible adjustment to post-war conditions.

"In many circumstances, that will undoubtedly involve taking substantial steps in compliance with the provisions of Section 11. The Commission states that it is not only willing but deems it its duty to assist far-sighted managements in straightening out the financial structure of their systems."

G. A. Nicholson With Paine, Webber Firm

(Special to The Financial Chronicle)
 DETROIT, MICH.—George Albert Nicholson, Jr. has become associated with Paine, Webber, Jackson & Curtis, Penobscot Building. Mr. Nicholson was formerly vice-president of American Industries Corporation and prior thereto was in the statistical department of Whitlock, Smith & Co.

Pratt & Williams Add Mark Price To Staff

(Special to The Financial Chronicle)
 CLEVELAND, OHIO—Mark M. Price, Jr. has become associated with Pratt and Williams, Citizens Building. Mr. Price was formerly manager of the sales department for M. A. Cayne & Co. Prior thereto he was with Allan & Co., First National Securities Co. and the First Cleveland Corporation.

for opposing further increases in estate and gift taxes, cited his belief, among other points that estate and gift taxes are not suited to an elastic tax system and any increase in rates would emphasize "for the sixth time in ten years the inequality among individual taxpayers by making the amount of capital contribution of different citizens depend entirely upon the fortuitous circumstances of death."

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Securities Industry To Wage Bitter Fight Should SEC Insist On Bid & Asked Rule

It has already been made perfectly evident that practically the entire securities industry is unequivocally opposed to the proposed SEC bid and asked disclosure rule (X 15-C 1-10) and is prepared to employ every possible means to prevent the Commission from making the proposal effective. The Commission, it will be recalled, suggested the new rule for further regulation of the over-the-counter markets on July 29 and thereupon forwarded copies of the measure to various organizations within the industry for their consideration. These groups were asked to make known their views to the Commission by Aug. 12. The Commission later announced that the date for the submission of comments had been extended to Sept. 15.

In suggesting the rule, the Commission apparently believed that such a program was necessary in order to further safeguard the public interest. That it will fail of that purpose and indeed will cause incalculable damage to the investing public and seriously endanger a vital part of the nation's financial economy cannot be successfully disputed. This fact has been made all too evident in the many letters which we have received from dealers regarding the proposal, most of which constituted a thoroughly dispassionate analysis of the reasons why such a program is unrealistic and impractical and based on a wholly erroneous conception of the character of the vast over-the-counter markets.

We are glad to reproduce herewith some more letters which have been sent to us by individual dealers and dealer groups. As is our usual custom, we do not reveal the source of the communication when the writer prefers to remain anonymous:

DEALER No. 20

If the SEC is successful in promulgating and enforcing the provisions of Proposed Rule X-15C1-10, it is our considered opinion that the investment business of the U. S. is completely and finally washed up.

As this rule would mean the death of the investment business, we are strongly of the opinion that the National Association of Securities Dealers should adopt an unyielding and unalterable stand and fight it to conclusive victory or complete defeat.

The reasons this rule would completely eliminate the investment dealer from our economic life are too numerous and too self-evident to all investment men to go into in minute detail. We can only interpret this proposed rule as being a deliberately vicious attempt to concentrate all economic power in the hands of the bureaucrats and eliminate from our economic life men who have spent their entire lives in servicing the needs of their investment clientele.

A substantial portion of the investment business of the country is handled by firms who deal both in over-the-counter securities and are members of regional stock exchanges. The exchange memberships are maintained, at least at present, largely for the prestige which such membership gives the member firm, but the over-the-counter business is the main source of revenue which supports the firm and its employees.

The relationship between the investment man and the investor involves many obligations, services and expenses which the broker does not have. The broker executes an order and assumes no obligation except for the delivery of the security purchased or for the payment of the security sold. The majority of customers of the investment house place the responsibility on the shoulders of their investment man to purchase for them the type of security that best suits their needs—taking into consideration their individual circumstances, age, objectives, etc., and from the moment the sale is consummated, there is a continuing obligation to keep the investor adequately informed of internal developments within the company whose stock he holds and also to keep him informed of government rules and regulations which within a short space of time may change the whole outlook of the industry in which his funds are invested. For this service, which may extend over a long period of time, the investment house receives no compensation whatever.

In the final analysis, the success or failure of any investment firm is based entirely upon whether the customer feels that his affairs are better handled and that he is receiving as good service from the person or firm with whom he deals than he can secure elsewhere. All investors know that no firm can exist without making a

(Continued on page 714)

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Rail Study Available
 - Shields & Co., 44 Wall St., New York City, members of the New York Stock Exchange, have prepared a comprehensive analysis and comparison of New York Central and Southern Pacific Railway Companies. Copies may be had from the firm upon request.

Interesting Speculation
 Common stock of the Deep Rock Oil Corporation offers an interesting speculation, according to circular just issued by Doyle, O'Connor & Co., 135 South La Salle Street, Chicago, Ill. Copies of the circular discussing the favorable aspects of the situation may be had upon request from Doyle, O'Connor & Co.

James Magee Dies
 James D. Magee, manager of the buying department of Braun, Bosworth & Co., Toledo, Ohio, died suddenly of a heart attack at his home. Mr. Magee, a well-known municipal bond specialist, served as municipal secretary for the Investment Bankers Association a number of years ago, resigning to become associated with Braun, Bosworth & Co.

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**D. B. Sherwood Joins
Stifel, Nicolaus Co.**

CHICAGO, ILL.—Stifel, Nicolaus & Co., 105 West Adams Street, announce that Donald B. Sherwood has become associated with them in their trading department. Mr. Sherwood was recently with Bond & Goodwin, Incorporated in Chicago and prior thereto was connected with Doyle, O'Connor & 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.

(Special to The Financial Chronicle)
AURORA, ILL.—Fred Douglas Schwanz, formerly local manager for Alexander & Company, Inc., has become associated with William H. Flentye & Co., Inc., Graham Building

CHICAGO, ILL.—Max F. Stevens has become affiliated with Lee Higginson Corporation, 231 South La Salle Street. Mr. Stevens for the past five years has been with Moody's Investor Service as bank counselor.

(Special to The Financial Chronicle)
CHICAGO, ILL.—Edmund J. Toebelman is now connected with Norris & Kenly, 209 South La Salle Street. Mr. Toebelman was previously with Goodbody & Co. and prior thereto with S. B. Chapin & Co.

(Special to The Financial Chronicle)
MIAMI, FLA.—Hobert Elmer Ball has been added to the staff of United Securities Corporation, Biscayne Building.

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(Special to The Financial Chronicle)
PEORIA, ILL.—Ben Hershe is now associated with Brailsford & Co., whose main office is located at 208 South La Salle Street, Chicago, Ill.

PHILADELPHIA, PA.—Edward Paul Kenney has become connected with Rambo, Keen, Close & Kerner, Inc., 1518 Locust Street, in their investment department.

Weekly Stock Market Comments

The following excerpt bearing on the post-war period is taken from the text of a speech delivered Aug. 2, 1942 by Mordecai Ezekiel, Economic Adviser to the Secretary of Agriculture.

"The immediate post-war period will be characterized by great deficits in goods to be made up, and by great reserves of buying power available to fill those deficits. On the demand side, our

household equipment will be worn out or sadly depleted. Our businessmen will need to rebuild factories and replenish their stocks of goods in process or in stores. Starved peoples and war-devastated industries and homes abroad will be eager for food and goods. Our friends in China, Latin America, Oceania, and elsewhere, will be in great need of industrial equipment to expand their own production and standards of living. On the buying power side, our people will have large war-time savings ready to use. Consumer credits will be largely paid off, and new installment credit will be ready to finance billions of purchases.

"Businessmen will invest large sums in conversion of plants and in replenishing their stocks. South American countries will have built up billions of dollars in balances for the raw materials sent us for war, and will be eager to spend them for all the things they are short on today. Our Government and other great governments will spend large sums for relief and reconstruction. Goods will be needed and buying power will be available, both on a far greater scale than after the last war. The post-war boom, which last time ran 20 months—from November, 1918, to July, 1920—might conceivably this time run several years instead. Rather than an immediate crash, the danger may even be of too great an immediate boom if price control and war-time restrictions were removed at once. If we permit the war-time rise in prices to get into a real inflationary spiral, that will make the danger of an excessive post-war boom all the greater."

The Market Leaders

Most favorably situated group under existing and prospective conditions is the rail group and we continue to expect a broadening and eventually more aggressive demand not only for selected rail bonds but stocks as well.

Continuation of record volume of freight and traffic are in prospect for some time to come, all of which should provide further opportunities for strengthening of finances, reduction of debt and charges, elimination of unprofit-

able lines and generally for the preparation of the post-war adjustment.

Railroad bonds of perhaps better medium grade are probably fairly close to war-time, ceiling levels and the appeal of such issues is distinctly limited. On the other hand, any number of second grade and speculative issues still offer high current yields and have failed to come anywhere near reflecting the extraordinary improvement which has already taken place and which still seems in prospect. As for many of the common stocks there still exists a fantastic discrepancy between stock prices and current and prospective earnings event to the extent of reflecting financial difficulty.

Selected defaulted bonds likewise offer many desirable opportunities for income and further price appreciation. Principal restraining factor in many instances, particularly in the case of the low priced issues, has been the uncertain tax question, with the Senate apparently disposed to permit reorganized roads to retain the old tax base and the Treasury still insisting upon a much reduced base consisting of one-half of new debt plus market value of new equities. Favorable settlement of this important tax question through Congressional action could bring about large percentage price appreciation for some things.

Looking Down

If the railroads are permitted to retain their old tax base, the cheapest issue we can see anywhere is St. Paul Adjustment 5s, due 2000 (2½).

In the ICC reorganization plan (rejected by the court) each \$1,000 bond would be exchangeable for about 10 shares of new common stock (actually 9.78 shares). The Adjustment 5s, due 2000, are selling for about \$25 per \$1,000 bond, indicating that the cost of the new common would be about \$2.50 per share. Purchase of \$100,000 par amount of St. Paul Adjustment 5s, due 2000, would cost about \$2,500.

For the 12 months ended June 30, 1942, net available for fixed charges amounted to about \$32,000,000. To pay all proposed charges ahead of the new com-

mon stock would require about \$20,000,000, leaving roughly \$12,000,000 available for about 2.1 million shares of new common stock, or nearly \$6 per share. Assuming a 50% reserve for normal and surtaxes, etc., the net would be reduced to about \$3 per share compared with indicated prices for the new common of around 2½.

Given a continuation of present earning power for a few years, it is conceivable that holders of new common could receive the indicated purchase price in dividends alone. As of May 31, last, the St. Paul had total current assets of about \$73,000,000 and total current liabilities of about \$26,000,000; cash amounted to \$45,400,000.

There is nothing we can see anywhere in the default picture as potentially cheap as the St. Paul Adjustment 5s, due 2000, for percentage price appreciation. Risks, in our opinion, are relatively insignificant as compared with the potential enhancement of capital. In 1937 St. Paul Adjustments sold at 13, or about five times prevailing market prices. The 1933-42 price range has been about 1 low, 32 high.

Glancing Upward

Looking at some of the more respectable situations pricewise, we might direct attention to Rock Island General 4s, due 1988 (27), and the Refunding 4s, due 1934 (15), as being undervalued and "behind the market."

In the first place, we might point out that the Rock Island in the 12 months ended June 30, 1942, reported about \$22,000,000 available for present (old) fixed charges of about \$13,500,000, equal to about 1.6 times fixed charges. The balance was equal to about \$16 per share on the present \$7 preferred stock and to about \$6.75 on the present common stock, both of which are considered worthless by the ICC. On the basis of the terms of the ICC reorganization plan, new fixed charges for the 12 months ended June 30, 1942, were covered about 11 times, new fixed and contingent charges and sinking fund requirements were theoretically covered more than twice. After deducting for tax reserves, etc., 50% of the remaining net, the balance for the new preferred would be equal to about \$8 per share and for the new common about \$1.70 per share.

Assuming for sake of illustration that the new Firsts would command a present day value of 75, the new Incomes 4s, the new Preferred 15 and the new Common 5, then the Rock Island General 4s, due 1988, which would receive (1) \$83.51 in new First Mortgage bonds; (2) \$454.14 in General Mortgage Income 4½s; (3) \$445.98 in new Preferred stock, and (4) 3.36 shares of new Common, would be worth about 35. This, in our judgment, would represent an ultra-conservative "at the market" valuation. Moreover, such valuation does not take into consideration prospective interest disbursements to present bondholders that would reduce invested capital. On the same basis, the Refunding 4s, due 1934, which would receive (1) \$58.65 in new First 4s; (2) \$232.72 in General Mortgage Income 4½s; (3) \$209.62 in new Preferred, and (4) 5.25 shares of new Common, would be theoretically worth about 20.

Incidentally, we might point out in passing that Rock Island Convertible 4½s, due 1960 (2¼), which in the reorganization plan would receive 4.3 shares of new Common, do not appear anywhere near as statistically cheap as St. Paul Adjustment 5s, due 2000. This is obvious from the foregoing comments (one is paying theoretically the equivalent of about 6 for the new Rock Island Common). All that we are saying here is that we would much prefer to own St. Paul Adjustments at 2½ than Rock Island Convert-

In The Armed Forces

Jack H. Bond, Vice-President of Mahan, Dittmar & Company, South Texas Bank Building, San Antonio, Tex., has enlisted in the U. S. Army as a volunteer officer candidate and is reporting for duty as a private on Aug. 28th.

Blair F. Claybaugh, special partner in Blair F. Claybaugh & Co., 600 North Second Street, Harrisburg, Pa., is now in the armed forces.

Herman A. Feldmann, manager of the wholesale department of Mackubin, Legg & Company, 22 Light Street, Baltimore, Md., has been appointed a Lieutenant Commander in the U. S. Navy and is stationed at Norfolk, Va.

John J. McAuliffe, formerly of Smith, Barney & Co., Boston, Mass., is serving as a Second Lieutenant in the U. S. Army Air Corps, Procurement Division, and is stationed in Miami, Fla.

Preston J. McNurlen has been commissioned a Lieutenant in the United States Naval Reserve and expects to be called to active duty shortly. McNurlen & Huncilman, 129 E. Market St., Indianapolis, Ind., will discontinue business as of September 1st, Mr. Huncilman already being on duty as Major of Infantry in the United States Army.

F. Aubrey Nash of Richard J. Buck & Co., 39 Broadway, New York City, has taken leave of absence from the firm in order to accept a commission as a Lieutenant in the U. S. Army Air Force.

George F. Ryan, one of the founders and Vice-President of Ryan-Nichols & Co. in charge of their St. Louis office, has been commissioned a Captain in Army Transport Command of Army Aviation, and is now in training at Miami Beach, Fla. He is on leave of absence from his firm, and owing to the fact that three other members of the St. Louis organization have joined the armed forces, that office will be discontinued for the duration. The main office, located at 105 South La Salle Street, Chicago, has recently taken new quarters on the fourth floor in that building, where better business facilities were obtained.

George H. Stubbs, Jr., Vice-President and Treasurer of Stubbs, Smith & Lombardo, Inc., First National Building, Birmingham, Ala., has been commissioned a Captain in the Fiscal Division of S. O. S. in Washington and is now on duty. Henry M. Smith, Vice-President of the firm, has been commissioned a First Lieutenant in the Army Air Corps and is now on duty at Miami Beach, Fla.

Walter H. Weil, Jr., Treasurer of Weil & Company, Inc., Union Building Arcade, New Orleans, La., entered the armed forces on Aug. 14. Mr. Weil is presently stationed at Camp Beauregard, La., where he is attending the volunteer officers' candidate school, assigned to the aviation corps.

John C. Wright, manager of the Bond Department of Keane & Co., Penobscot Building, Detroit, Mich., has been appointed a Lieutenant-Commander in the U. S. Navy. Mr. Wright has been in the investment business in Detroit for many years; he was a partner in Wright, Martin & Co.

able 4½s, due 1960, at 2¼—all of which goes for many other comparably priced situations.—G. Y. BILLARD, J. R. WILLISTON & CO.

Tomorrow's Markets Walter Whyte Says

Failure of market to go through July tops not good. News still a depressing factor. Look for decline or dullness.

By WALTER WHYTE

The first news of the Com-mando raid against Dieppe caught this column as it went to press. According to early dispatches the raid, a gigantic one, appeared as the opening drive in the much talked of second front. I have long felt the inauguration of such a second front would immediately be reflected in the stock market so I watched the tape closely to see what the market would do. Well, you know what it did.

Prices rallied back to about the July tops (appx. 108 D. J. industrials) then backed off. Later it was learned that though the attacking party was large, it even carried tanks, it was still a raid, what military experts call a reconnaissance in force, and not the beginning of the second front as some of the headlines claimed. So much for that.

It was important that while interpretations of the Dieppe foray were plentiful, the market, in its cold calculating fashion was not caught napping. Its interpretation was more realistic and in accordance with the subsequent facts than the wishful thinking headline writers of some of our local newspapers.

All this brings the market back to about where it was at the beginning of August. Even the rails, purely domestic affairs where their operations are concerned, have sort of drawn back into their shell although they did manage to make a new high last week of 27.11. But as we don't hold any rails, their market action, though interesting, is purely academic.

From a technical viewpoint the market is still in a move position, the current dull set-back notwithstanding. Last week the industrials rallied for three days. According to technical studies markets ready to move begin acting just that way. Yet the three day advance without penetration of previous resistance levels is not enough. It places the market in what must be recognized as a questionable zone.

According to precedence markets, to prove or indicate continuance of trend, should

Moratorium On U. S.-Held Debts Of Philippine Cos.

The Treasury Department announced on Aug. 12 a moratorium on obligations of Philippine companies held in the United States. This moratorium does not apply to the obligations of the Philippine Government. The announcement stated:

"Pursuant to General Ruling No. 10-A, issued under the Presidential freezing orders, no Philippine company may make any payment in this country on its obligations and no person may enforce in the United States any claim or obligation against a Philippine company. Such payments can be made and such claims can be enforced only if a foreign funds control license is first obtained.

"Treasury officials stated that today's action was intended to make it clear that the assets in the United States of Philippine companies were fully frozen so that the interests of all the parties involved could be fully and properly protected. It was pointed out that some of these Philippine companies had assets in the Philippines worth many millions of dollars before the war and only a relatively small amount of funded indebtedness. The companies do not have assets in the United States at this time to meet maturing obligations and since no one knows or could know, the present conditions or value of property in the Philippines, it is, at the present time, impossible to deal fairly with the respective rights of stockholders, bondholders and other creditors. Under this ruling the situation will be frozen until it is possible to ascertain the facts.

"It was pointed out by Treasury representatives that Philippine companies would not be permitted to use today's ruling to avoid paying their obligations in any case where funds were available and such payments could be made on an equitable basis. In such cases the Treasury will license payments upon appropriate application by interested parties. Moreover, the Treasury expected Philippine companies to furnish their creditors upon demand with information concerning their present ability to pay their obligations. Any failure to furnish such information will be dealt with appropriately by the Treasury.

In Armed Forces

R. W. Pressprich, Jr., has been commissioned a Captain in the U. S. Army Air Force and is on leave of absence from his firm, R. W. Pressprich & Co., 68 William St., New York City.

move in units of 2 or 4, 6, etc. In other words advances should move for two days, four days, etc. In case they don't, past indications are usually cancelled and the market either goes into a decline or at best a period of dullness usually of at least ten days duration. Last week the market advanced for three days running and managed to just get into the July top area. One more day's rally would have brought prices through the important zone from which an important move could begin. It failed.

It is frequently the case that the news, which up to the time of the market failure may have been good, changes. This was the case in the last few weeks. The recent strength was touched off by the successful Solomon occu-

(Continued on page 716)

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RAILROAD REORGANIZATION SECURITIES

RAILROAD SECURITIES

The market has begun to display greater confidence in the ultimate consummation of the Missouri Pacific reorganization plan along the original line providing for inclusion of International-Great Northern in the new system. Also many quarters are now looking forward to a possible interest disbursement on the International-Great Northern bonds which have been neglected in recent years when payments have been made on other system obligations such as the Missouri Pacific 1st Re-funding 5s and the New Orleans, Texas & Mexico 1st Mortgage series. The hopes for a possible interest payment are based more on the wide earnings rise and strengthened financial position of I.-G. N. itself than on the improved chances of effecting the proposed reorganization and consolidation. Reflecting this growing confidence, the International-Great Northern bonds, which for a long period had been one of the most disappointing spots in the reorganization bond list, have been among the brightest spots in the market upturn of the last week or so.

Improving phenomenally from the abysmal levels of a few years ago when for three successive years (1938-1940) operating costs were not even covered, it now seems possible that 1942 will be the best year in the company's history. Last year the old fixed charges were only 82% earned but this year they should be earned almost twice. For the first six months of 1942 there was a gain of roundly 39% in gross revenues with about 37% of the increment carried through to net. Net operating income was up from \$485,000 to \$1,417,000, and considering the outlook over the balance of the year, including continued all-rail shipments of oil to meet the shortage on the East Coast, the gain in the second half should be practically as wide.

With the sharp expansion in earnings, net working capital as of the end of June was more than three times that of a year earlier. Cash items alone amounted to more than \$2,000,000, an increase of close to a million dollars from June 30, 1941. In addition, miscellaneous accounts receivable had more than doubled and, according to the latest balance sheet, stood at \$1,448,000. It is believed that to a considerable degree the large accounts receivable represent payments due from the Government for transportation services. While payment for such services is normally delayed about 90 days, the amounts due may obviously be considered the equivalent of cash. Payment of one semi-annual coupon on all of the outstanding International-Great Northern 1st Mortgage bonds would involve a cash outlay of only \$805,000. In support of expectations of an interest payment this fall or early winter, it is also being pointed out that the proposed effective date of the Missouri Pacific reorganization plan is Jan. 1, 1940, and that income has been accruing on new securities allocated to the I.-G. N. bonds since that date. Exclusive of dividends on the new preferred, total income accruals on bonds allocated to the I.-G. N. 1st Mortgage bonds will presumably be in excess of \$75 per bond by the end of 1942.

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Reflecting the belief in some quarters that International-Great Northern might possibly be excluded from the consolidated system and reorganized on its own, its bonds have, over a long period, sold at a considerably wider discount from the "when issued" value of the new securities they are allocated than have the other major system bonds. It is true that the Commission plan does provide that the reorganization may be consummated without consolidation of International-Great Northern under specific circumstances, including failure of bond holders to accept the terms of the plan. However, considering the support given the plan by holders of the I.-G. N. 1st Mortgage in the balloting concluded some four months ago, this is considered a remote contingency if the plan as a whole is confirmed by the District Court and upheld

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by the higher courts. If, and when, the tax status of the reorganization rails is settled it is felt that the plan will probably be finally confirmed by the District Court and that the I.-G. N. bonds should then sell closer to an arbitrage parity with the Missouri Pacific 5s and the New Orleans, Texas & Mexico bonds.

Under the reorganization plan the I.-G. N. 1st Mortgage bonds are to receive an average of \$399 in new Series "A" Inc. 4 1/2s, \$251 in Series "B" Inc. 4s, \$148 in new prior preferred, 2.01 shares of second preferred and 3.51 shares of new common. At the time of this writing the aggregate value of these new securities, based on "when issued" bid prices, is equivalent to a price of approximately 33 for the old I.-G. N. bonds.

Market Transactions In Govts. For July

Market transactions in Government securities for Treasury investment and other accounts in July, 1942, resulted in net sales of \$2,295,000, Secretary Morgenthau announced on Aug. 15. This compares with net sales of \$250,000 in June.

The following tabulation shows the Treasury's transactions in Government securities for the last two years:

1940—	
August	No sales or purchases
September	\$300,000 sold
October	4,400,000 sold
November	284,000 sold
December	1,139,000 sold
1941—	
January	\$2,785,000 purchased
February	11,950,000 purchased
March	No sales or purchases
April	\$743,350 sold
May	200,000 sold
June	447,000 purchased
July	No sales or purchases
August	No sales or purchases
September	\$2,500 sold
October	200,000 sold
November	No sales or purchases
December	\$60,004,000 purchased
1942—	
January	\$520,700 sold
February	29,980,000 purchased
March	5,814,450 purchased
April	300,000 purchased
May	16,625 purchased
June	250,000 sold
July	2,295,000 sold

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—40%; low—14 3/4; Aug. 26 price—38 3/4.

Bank and Insurance Stocks

This Week — Bank Stocks

Money makes the wheels go round—and the wheels are beginning to revolve at a rate never before witnessed in this country. Wars are expensive, in fact the most expensive luxury of the human race and they always leave the world poorer if not wiser. No war of any size can be financed on a pay-as-you-go basis and that means borrowing. Our present armament program calls for appropriations which are astronomical in dimension and our borrowings must of necessity be on the same grandiose scale. The Banking Industry, after idling along in low speed for the better part of a decade, is now being called upon to handle the biggest job it has ever undertaken. Already the banks are operating virtually "at capacity" but, for this particular industry, capacity can be increased almost without limit. Steps are now being taken toward that end.

For example, last week the Federal Reserve Board in Washington announced that reserve requirements on demand deposits would be reduced from 26% to 24% in the two largest money centers, New York and Chicago. The reserve position, particularly in New York, had become increasingly tight in recent months; in fact, by early July, excess reserves had practically reached the vanishing point. A number of factors were responsible for this situation. In the first place, reserve requirements since Nov. 1, 1941, have stood at the maximum legal level of 26%. They were raised at that time from 22 3/4%, ostensibly to act as a brake on inflation, and widespread discussion followed as to the advisability of legislating even stiffer requirements. It was seriously proposed, in some quarters, to raise the permissible ceiling on reserves to 30%, 40% or even as high as 50%. Since our entry into the war, all such ideas have become as obsolete as the issue of isolationism.

In 1940, the excess reserves in our banking system had reached the unprecedented—and unhealthy—figure of 6.9 billion dollars. Due to devaluation of the American dollar in 1934 and, subsequently, the influx of refugee money from war-threatened Europe, our gold stock rose in seven years from about 4 billion dollars to nearly 23 billion dollars. During the past year, the picture has changed completely. Gold imports have practically ceased, which means that the principal supply source for additional reserves is no longer operative. On the other hand, the demand side has been steadily expanding and will doubtless gather momentum rapidly from this point.

Already, the increased loans to industry plus loans to the Government (i. e. purchases of Government securities), have caused a sufficient rise in bank deposits as to deplete materially the existing reserves. Another factor has been the steep jump in circulating currency, which now totals nearly 13 billion dollars, and against which reserves must be maintained dollar for dollar. The reserve situation in New York has been further aggravated by the fact that much more money is being raised in this area than is being spent here.

It is fairly obvious that the 2% reduction in reserve requirements is only a "drop in the bucket" and cannot do more than alleviate conditions temporarily. Therefore, additional measures to enable the banking system to manufacture a far greater volume of credit, rapidly and safely, can be expected to follow. Presumably, reserve requirements will be lowered even further. It is also considered likely that rediscount rates may be selectively reduced in order to help the banks absorb readily the Government securities which they will be expected to take. A rate of 1% has been in effect at the Federal Reserve Bank of New

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York for the past five years but its significance has long since been lost in oblivion. Both the changelessness of the rate, which is meticulously reported each day, and the cobwebs which have accumulated over the lending windows at the Reserve have been food for numerous wise-cracks in the financial district. Thus the war seems destined to destroy another legendary segment of the Status Quo in Wall Street.

Ordinarily a lowering of reserve requirements or a reduction in the rediscount rate would be the signal for a decline in money rates but, such is the immediate demand for credit, that no such development is to be expected. On the contrary, and perhaps regardless of what further measures are adopted to make the credit situation easier, many authorities believe that both short-term and long-term rates are bound to stiffen from this point. Short-term rates, of course, have already firmed materially and will probably continue to do so because banks can now find employment for most of their available funds on a medium or long-term basis. It is no longer necessary to accept merely "token" interest as has been the case so often in recent years. Frequently, also, the banks were practically forced to issue long-term credits at what was tantamount to a "riskless rate" of return. In short, it is now a seller's market for money.

Therefore, even though this may turn out to be a "2 1/2% war" and whether or not the official rate is pegged at that level, the banking industry is beginning to obtain a higher average return on its loans and investments than has generally been the case in recent years. What is even more important, of course, is that total earnings assets will continue to grow by leaps and bounds and that gross income will be correspondingly increased. As to net earnings, it is largely a question of the form and extent of the new tax levies ahead of us. For example, the acute weakness in bank stocks last spring was due, in large part, to proposals of a 31% surtax which would be applicable to all net income. Inasmuch as banks have been relatively immune both to excess profits taxes and normal taxes, a heavy surtax rate would have increased their tax burden several-fold. The recent tendency to modify this feature of the pending tax bill has been most reassuring to the bank stock market.

In view of the vital part which the banking industry must play in our war effort, it is reasonable to expect that the Government will do everything to keep the banks healthy and strong. They will doubtless be permitted to set up generous contingency reserves and, in other ways, be encouraged

if not compelled to strengthen their assets. Quite probably the outbreak of war marks the end of an era of bank persecution. Regulation and supervision will continue strict, which is as it should be. If, in the present boom period, banks can be prevented from acquiring a top-heavy position in real estate and speculative loans, neither the bankers themselves nor their stockholders will have any cause for complaint. Obviously, under present conditions, dividend policies will be ultra-conservative but, on the whole, dividend rates should be more consistently maintained than for the general run of common stocks.

Stock Clearing Corp. To End Night Branch

The Stock Clearing Corporation, affiliate of the New York Stock Exchange, announced on Aug. 24 that its "night branch" will be discontinued experimentally on Sept. 1. Abolition of the corporation, which was founded in 1892, was said to be decided upon since the number of stocks that can be balanced off, it was noted in the New York "Herald Tribune" has declined considerably in recent years to about 10% of its former volume. It is estimated that the elimination will save member firms about \$100,000 a year in clearing charges.

The announcement, issued by John Dassau, First Vice-President of the Stock Clearing Corp., follows:

"Notice is hereby given to Clearing Members that all 'cleared stocks' are removed from the list of 'cleared securities' effective for transactions of Friday, Aug. 28, 1942, and Saturday, Aug. 29, 1942, to be settled Tuesday, Sept. 1, 1942.

"Contracts in all stocks on and subsequent to above dates will be delivered and settled through Central Delivery and Settlement Departments by the use of white charge tickets accompanied by white collective delivery or credit actual lists on which is listed only the money value of each delivery covered thereby and, in general, in accordance with the provisions of Rule 40.

"Since this method is largely experimental, continue to use present form of exchange ticket to make comparison through Distributing Department."

SEC Reorganizes Units For More Efficiency

Ganson Purcell, Chairman of the Securities and Exchange Commission, announced on Aug. 19 a reorganization of the internal setup of the Commission designed "to promote efficiency, economy and flexibility of operations in line with changed conditions."

Under the reorganization the present six divisions will be reduced to three and 93 positions now vacant on the staff will be abolished. One new section, Corporate Finance Division, is established, effecting a merger of several abolished units, including that of the Registration and Reorganization Divisions, the investment company section of the Investment Company Division.

Advices Aug. 19 to the New York "Herald Tribune" from Philadelphia said:

"The remaining portion of the Investment Company Division—the investment advisers section—is being combined with the Trading and Exchange Division.

"The office of General Counsel has been abolished, to be replaced by the office of solicitor, to which John F. Davis, now Assistant General Counsel, has been appointed. The Commission's general counsel, Chester T. Lane, resigned some time ago to join the Department of Justice.

"A portion of the investigative

Royal Bank of Scotland

Incorporated by Royal Charter 1727

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Branches throughout Scotland

LONDON OFFICES:

3 Bishopsgate, E. C. 2
8 West Smithfield, E. C. 1
49 Charing Cross, S. W. 1
Burlington Gardens, W. 1
64 New Bond Street, W. 1

TOTAL ASSETS

£98,263,226

Associated Banks:
Williams Deacon's Bank, Ltd.
Glyn Mills & Co.

Australia and New Zealand

BANK OF NEW SOUTH WALES

(ESTABLISHED 1817)

Paid-Up Capital £8,780,000
Reserve Fund 8,150,000
Reserve Liability of Prop. 8,780,000
£25,710,000

Aggregate Assets 30th
Sept., 1941 £150,939,354

SIR ALFRED DAVIDSON, K.B.E.,
General Manager
Head Office: George Street, SYDNEY

The Bank of New South Wales is the oldest and largest bank in Australasia. With over 870 branches in all States of Australia, in New Zealand, Fiji, Papua and New Guinea, and London, it offers the most complete and efficient banking service to investors, traders and travellers interested in these countries.

LONDON OFFICES:
29 Threadneedle Street, E. C.
47 Berkeley Square, W. 1
Agency arrangements with Banks throughout the U. S. A.

and interpretative staff of the legal division will be assigned to the counsel's office of the new division, and the remainder will be assigned to the newly created office of solicitor and to the new opinion writing office, which in the future will be directly responsible to the Commission.

"Baldwin B. Bane, present Director of the Registration Division, has been named head of the new Corporation Finance Division, with Andrew Jackson as associate director. Counsel for this division will be Edward Cashion, Harry Heller and Emmett McCrann will be assistant directors of the division.

"Under the reorganization the three main operation divisions are the Public Utilities Division, which has been left unchanged; the Trading and Exchange Division, to which has been added the investment advisers' section and the newly formed Corporation Finance Division."

DIVIDEND NOTICES

NEW YORK TRANSIT COMPANY

26 Broadway
New York, August 20, 1942.

A dividend of Thirty (30) Cents per share has been declared on the Capital Stock (\$5.00 par value) of this Company, payable October 15, 1942 to stockholders of record at the close of business September 25, 1942.

J. R. FAST, Secretary.

UNION CARBIDE AND CARBON CORPORATION

INC

A cash dividend of Seventy-five cents (75¢) per share on the outstanding capital stock of this Corporation has been declared, payable October 1, 1942, to stockholders of record at the close of business September 4, 1942.

ROBERT W. WHITE, Vice-Pres. & Treas.

DIVIDEND NOTICES

THE ATLANTIC REFINING CO.

PREFERRED DIVIDEND NUMBER 26



At a meeting of the Board of Directors held August 24, 1942, a dividend of one dollar (\$1) per share was declared on the Cumulative Preferred Stock Convertible 4% Series A of the Company, payable November 2, 1942, to stockholders of record at the close of business October 5, 1942. Checks will be mailed.

W. M. O'CONNOR
August 24, 1942 Secretary

CANCO AMERICAN CAN COMPANY

PREFERRED STOCK

On July 28th, 1942, a quarterly dividend of one and three-quarters per cent was declared on the Preferred Stock of this Company, payable October 1st, 1942, to Stockholders of record at the close of business September 17th, 1942. Transfer Books will remain open. Checks will be mailed.

R. A. BURGER, Secretary.

Allied Chemical & Dye Corporation

61 Broadway, New York

August 25, 1942

Allied Chemical & Dye Corporation has declared quarterly dividend No. 86 of One Dollar and Fifty Cents (\$1.50) per share on the Common Stock of the Company, payable September 21, 1942, to common stockholders of record at the close of business September 4, 1942.

W. C. KING, Secretary

CALUMET AND HECLA CONSOLIDATED COPPER COMPANY

Dividend No. 41

A dividend of twenty-five cents (\$0.25) per share will be paid on September 17, 1942 to holders of the outstanding Capital Stock of the Calumet and Hecla Consolidated Copper Company of record at the close of business September 1, 1942. Checks will be mailed from the Old Colony Trust Company, Boston, Mass.

A. D. NICHOLAS, Secretary.

Boston, August 20, 1942.

DUPONT E. I. DU PONT DE NEMOURS & COMPANY

WILMINGTON, DELAWARE; August 17, 1942

The Board of Directors has declared this day a dividend of \$1.12 1/2 a share on the outstanding Preferred Stock, payable October 24, 1942, to stockholders of record at the close of business on October 9, 1942; also \$1.00 a share, as the third "interim" dividend for 1942, on the outstanding Common Stock, payable September 14, 1942, to stockholders of record at the close of business on August 24, 1942.

W. F. RASKOB, Secretary

HOLLANDER DYED FURS A. HOLLANDER & SON, INC. Common Dividend

A dividend of 25¢ per share on the Common Stock has been declared, payable September 15, 1942, to stockholders of record at the close of business on September 5, 1942. Checks will be mailed.

ALBERT J. FELDMAN, Sec.
Newark, N. J.
August 24, 1942.

INTERNATIONAL SALT COMPANY

475 Fifth Avenue, New York, N. Y.
A dividend of FIFTY CENTS a share has been declared on the capital stock of this company, payable October 1, 1942, to stockholders of record at the close of business on September 15, 1942. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN, Secretary.

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company declared a quarterly dividend of fifty cents (50¢) per share on the common stock payable October 15, 1942 to all holders of record at the close of business on September 19, 1942.

SANFORD B. WHITE, Secretary.

JOHNS-MANVILLE Corporation DIVIDEND

The Board of Directors declared a regular quarterly dividend of \$1.75 per share on the Cumulative 7% Preferred Stock, payable October 1, 1942, to holders of record on September 17, 1942, and a dividend of 50¢ per share on the Common Stock, payable September 24, 1942 to holders of record on September 10, 1942.

J. L. PICHETTO, Assistant Treasurer

AMERICAN POWER & LIGHT CO. Two Rector Street, New York, N. Y. PREFERRED STOCK DIVIDENDS

A dividend of \$7.75 per share on the Preferred Stock (\$8) and a dividend of \$6.25 per share on the \$5 Preferred Stock of American Power & Light Company was declared on August 26, 1942 for payment October 1, 1942, to stockholders of record at the close of business September 8, 1942. These amounts are one-half of the quarterly dividend rates of \$1.50 per share on the Preferred Stock (\$8) and \$1.25 per share on the \$5 Preferred Stock.

D. W. JACK, Secretary and Treasurer.

The Securities Salesman's Corner

Even Shorter Prospectus Would Help Increase Sales

The SEC prospectus that securities salesmen are required to leave with investors is still too long. From a merchandising standpoint it is a sale killer. People don't like to read involved legalistic phrases—the facts are, that the very people whom the prospectus is designed to protect, through the disclosure of material and relevant data, are the very ones who are the least interested in wading through the average prospectus.

Why shouldn't the SALENT FEATURES of an offering form be the basis of the information that the salesman is required to leave with the investor? Then, if a request were made for further information, a more complete and detailed description of the offering (which is on file with the Commission) could be supplied. There should be a complete prospectus which carries all pertinent information that would be primarily used by dealers and institutional investors, as well as any individual who might request one for study and information. The law should not compel securities dealers and salesmen to place an involved and voluminous document in the hands of every prospective investor. In this way the responsibility under the law would still be placed upon the underwriter and dealer and it would be up to them to investigate every detail regarding an offering, rather than suggest, as is now done, that the customer likewise make almost the same sort of complicated investigation.

After all, why should the average investor be asked to struggle through legal phrasing, statistical tables and complicated data? This is the job of the securities dealer—not the investor. From a merchandising viewpoint such a procedure is putting the proverbial cart before the horse. There is no other business where such an unrealistic situation between buyer and seller is created. When you go to the clothing store to buy a suit the label is simply marked 100% wool. You are not asked to read a 10-page document which is descriptive of all the processes that went into the manufacture of the completed garment. In the long run you must rely upon the integrity of your dealer to offer you good value for your money—this is the rule in every other business—it's just about time we began to get back to this principle in the securities business.

The suggestion we would make to those attending the meetings between the SEC and the various branches of the securities business, which are now being held in Philadelphia, is as follows: First, shorten and tighten up the modified prospectus which is now in use. Eliminate everything but the essential details required to give the average individual investor an understanding of what he is buying. Keep the more detailed form as it is. Make this available, by request, for all those who desire more complete information. By doing this the law will still operate to protect the investor from misrepresentation and omission of material facts, but it will also help clear the way of one more obstacle to better relations between the Commission and the industry as well as the industry and its customers.

Hart Heads SEC In Chicago

The Securities and Exchange Commission has announced that Thomas A. Hart has been appointed regional administrator of its Chicago office, to succeed W. McNeil Kennedy, who resigned to head the legal department of the Chicago office of the Alien Property Custodian. Ben S. Warren, Jr., who has been a member of the SEC staff in Chicago since 1938, succeeds Mr. Hart as assistant regional administrator.

Says Counsel Refused To Approve Capital Rule

(Continued from first page) is no guarantee of honesty or integrity but he says that "meager capital or no capital at all and the abuse of public trust and the rules of the Association were inclined to go together." Does he believe that there are no such things as honor and character and that these qualities disappear in the face of vanishing capital and red operating figures? If he does, he must conclude that there are scarcely any worthy individuals in the securities business today. It is obvious that \$2,500 or \$5,000 is no cure for vanishing capital and operating losses. How then can he seriously say that minimum capital requirements are a step toward dissipating some of the temptation to restore a balance on a financial statement? Mr. Baird also stated quite frankly that it is "impossible to specify the amount of capital which it was appropriate for every one of the members to employ in their business." He went further and said, "Obviously, capital should be related to the volume of business done and the size of obligations of the dealer and whether the organization does a cash or margin business." I agree with Mr. Baird in this respect, as obviously does the Director of the Securities Division of the Connecticut Bank Commission. (See Association Exhibit No. 8.) The proposed rule certainly falls far short of any such standard as this.

Before concluding the portion of this letter relating to Mr. Baird's statement, I should like to call your attention to the irrelevance in this proceeding of a portion quoted by him from your body's decision permitting the registration statement of the NASD to become effective. On that occasion your body pointed to the absence of rules concerning the solvency of members or requiring regular or periodic inspections. While it cannot be said that at the present stage of the Association's development, inspections are regular or periodic, still, as Mr. Baird said, the Association has reviewed financial and business practices of over 2,200 members. Surely this is a step toward attaining the objective that your body referred to.

With respect to questions of solvency or insolvency, I believe that the Association, at least in the administration of its affairs in District No. 13, has to a large extent accomplished what your body hoped it would. In this connection, may I call your attention to the proceedings instituted by the District Business Conduct Committee of District No. 13 against William J. Stelmack Corporation, D. C. Webster, Kempshall & Hecht, Inc., and Quinn, Smith & Company, to mention a few names, which are not intended to be a complete list. In addition, District No. 13 has referred to your body's New York regional office and to the New York Attorney General the names of several Association members when serious questions of insolvency arose.

I point out the foregoing not only to show that the Association is progressing toward the objectives specified by your body but also to point out, in passing, that minimum capital requirements were not mentioned by your body in that decision. Mr. Baird now

apparently wants to lead your body to believe that its comments on solvency were an endorsement of minimum capital requirements and this, it seems obvious, is not so.

When I appeared before your body I pointed out that the circumstances surrounding the vote taken by the NASD were such as to prevent a free expression of opinion from the members; that those who did not vote were afraid to do so for fear of reprisal; and that some of those who voted in favor did so because of economic sanctions they thought might be applied if they did otherwise. That this point in my argument was well taken now appears to be clear, for the Association has gone to considerable pains to analyze just how every member voted and just what members did not vote. Association Exhibit No. 5 contains everything except the names of the various members.

I therefore repeat what I said at the hearing—the vote should have been by secret ballot.

Very respectfully yours,
Frank Dunne, President,
New York Security
Dealers Association.

P. Johnston 25 Years With Chemical Bank

(Continued from first page) the bank has made during this period, with total resources rising from the \$50,000,000 level to over one billion dollars. Deposits rose from \$37,359,610 to \$1,009,608,632, while capital funds rose from about \$12,000,000 to approximately \$80,000,000. The part played by the bank of today in financing the Government in its war effort is reflected in this bank's U. S. Treasury holdings of \$328,050,121, compared with the March, 1917, position, when the only U. S. Government bonds held were \$450,000 of bonds to secure circulation. The Chemical Bank today ranks seventh largest in New York City, and tenth in the nation.

Mr. Johnston holds numerous directorships and has been recognized and honored by some of the highest positions in the banking and financial world. He is a past president of the New York Clearing House Association, a past chairman of the New York Clearing House Committee, a past president of the Reserve City Bankers Association, and this spring completed a two-year term as President of the Chamber of Commerce of the State of New York, and a like term as President of the Board of Trustees of Sailors Snug Harbor.

Wendell Now Member Of Chicago Exchange

CHICAGO, ILL.—Membership in The Chicago Stock Exchange has been posted for transfer to Barrett Wendell, Vice-President of Lee Higginson Corporation, 231 South La Salle Street, it was announced.

Mr. Wendell has been an outstanding member of the Chicago financial community for nearly forty years, during all of which time he has been associated with Lee Higginson Corporation and the predecessor firm. His corporation is the third to take advantage of the new rules of the Exchange which provide for the admission of officials of corporations engaged in the security business.

Salinger To Be Partner In A. Wiesenerger Co.

Allan B. Salinger will acquire the Stock Exchange membership of the late Charles K. Cook on Sept. 3 and will become a partner in Arthur Wiesenerger & Co., 56 Beaver Street, New York City, members of the New York Stock Exchange.

NATIONAL SECURITIES SERIES

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Investment Trusts

"Some Candid Thoughts On Management"

"A man never looks or feels better than on the day he stands at the prime of life. Thereafter the change in him may be imperceptible at first, but nevertheless he has passed the peak.

"So it is with the market, with particular industries, with individual companies. They always look best at the top. That is, if one judges them from an emotional or superficial standpoint—which is exactly the way many investors do judge the securities they buy.

"Just what is good investment management? Or, to be more specific, what constitutes good management for (an investment) fund . . . where management plays so big a role?

"Is it good management to be constantly shifting funds back and forth on a quick-trade basis?

"Is it good management to 'trade down' the quality of the portfolio in a period of rising prices for the sake of maintaining income, or in order to pay big dividends out of realized security profits?

"Is it good management to rely on quality ratings in selecting securities for investment and in ruling out all issues which do not happen to fall within specified rating classifications?

"No—in our opinion good management is something else.

"When asked the secret of his success, the elder Rothschild answered that he 'bought sheep and sold deer.' If one disregards the accent, that, in a nutshell, is the answer to successful investment management. However, it is not an easy answer. Anyone who has ever had the responsibility of investing money will testify to that. It requires a highly specialized background and training, plus thorough security research—plus judgment! For it is the job of management to determine when a given security is cheap."—From Lord, Abett's Union Dealer.

Dated Aug. 20, 1942.

The bulletin goes on to cite specific examples of the sponsor's management philosophy in operation as applied to Union Bond Fund "C" and ends with the following report:

"The daily performance of UBC is telling its own story of management—clearly and without bias. Here it is since the first of the year: Net appreciation in market price, 17.6%; estimated dividends for full year 1942, \$0.48; equivalent at the present market to an annual rate of 8.4%."

From Investment Company Reports

Atlas Corporation reported net assets of \$44,408,679 as of June

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INCORPORATED
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30, 1942, equal to \$11.01 per share on the 2,421,165 outstanding shares of common stock. On Dec. 31, 1941, net asset value was \$11.42 per share. During the first six months of this year the company acquired for retirement 19,875 shares of its own preferred stock and 49,244 shares of the common stock.

Boston Fund reports an increase of 11% in net asset value per share during the quarter ended July 31, 1942. Net assets on that date amounted to \$6,420,167, equal to \$11.66 per share on the 550,671 shares outstanding. These figures compare with net assets of \$5,534,276 on April 30, 1942, equivalent to \$10.49 per share on the 527,616 shares then outstanding.

Canadian Investment Fund, Ltd., had net assets of \$7,144,924 on June 30, 1942. There were 2,409,660 Special Shares outstanding having a net asset value of \$2.96 per share (Canadian funds).

Century Shares Trust at June 30, 1942, had net assets of \$13,120, (Continued on page 713)

Keystone Custodian Funds

BONDS	
Business Men's Investment Bond Fund	B1
Medium Priced Bond Fund	B2
Low Priced Bond Fund	B3
Speculative Bond Fund	B4
PREFERRED STOCKS	
Income Preferred Stock Fund	K1
Appreciation Preferred Stock Fund	K2
COMMON STOCKS	
Quality Common Stock Fund	S1
Income Common Stock Fund	S2
Appreciation Common Stock Fund	S3
Low Priced Common Stock Fund	S4

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Municipal News & Notes

Until last Monday all indications were that the status of tax exempt State and local securities would not be disturbed in the contemplated Revenue Bill. However, in a surprise move on that day, the Senate Finance Committee managed to tip over the apple cart. Voting 9 to 7, the Committee tentatively agreed to make income from future issues of such bonds subject to Federal income tax. This action reversed the stand of the House on the matter, which had disregarded the recommendation of Secretary Morgenthau to remove such exemption, since it constituted a "special privilege."

Senator George, the Chairman, in announcing the decision, emphasized that it was tentative. This was evidently taking wary cognizance of the strong opposition that was manifested at recent hearings by the heads of the Council of Mayors and numerous other municipal and State governmental organizations. Before the action of the Senate Finance Committee becomes law, it must be approved by both the Senate and the House, and with members of the House more apt to listen to the pleas of local officials, it would be surprising if in the final tax bill, provision will be made for taxation of the revenue from State and municipal securities.

Market Little Changed

Despite the fact that a dog which had been thought to be dozing suddenly barked, the municipal fraternity displayed little concern over the Senate Committee's action. They have adopted a policy of "watch and wait," since the whole subject is clouded and this latest move is regarded more or less as a trial balloon. Most issues remained unchanged in New York's trading marts, demonstrating that even unpredictable Washington moves are now being shrugged off by Wall Streeters. There appears little likelihood that approval of both Houses of Congress will be forthcoming this year on taxation of future issues.

Still, some dealers are said to have been disturbed on the theory that such an opening wedge will inevitably lead to a wide attack on outstanding local unit securities. Failure of outstanding bonds to move up in price is attributed to this feeling.

Local Housing Notes Ruled Exempt

The Bureau of Internal Revenue issued a ruling from Washington Tuesday that interest on temporary loan notes issued by local housing authorities "is exempt" from Federal income taxes. The Bureau reported that:

"Local housing authorities created pursuant to State law," which are the issuers of the temporary loan notes, "are not instrumentalities of the United States and, therefore, their obligations do not come within the scope of section 4 (a) supra, of the Public Debt Act of 1941, as amended." Hence such "tem-

porary loan notes issued by the local housing authorities are exempt from Federal income tax."

Municipal Bond Club Special Meeting Called

A special meeting of The Municipal Bond Club of New York, to discuss the SEC full disclosure rule proposal, will be held this afternoon (Aug. 27), on the fifth floor of the City Bank Farmers Trust Company Building, New York City. Members are urged to attend this important meeting.

Municipal Bond Analysis Prepared

J. Austin White, proprietor of J. A. White & Co., Union Central Bldg., Cincinnati, advises us that his book called, "White's Analysis of Municipal Bonds," has just come off the press and copies are now available for distribution at \$5 a copy.

We have not as yet had the opportunity to examine the book but Mr. White states that it contains rather extensive information concerning every county in the United States and every city of 10,000 or more population. He feels confident that the material contained in his 112 page publication will be of considerable value to anyone interested in municipal bonds.

The book concerns itself chiefly with two factors which are always of prime importance to those who buy and sell municipal obligations; the first of which is the characteristics of the population in any particular city or county, indicating the willingness to pay—secondly, the degree of diversification of economic pursuits, which represents the ability to pay.

Eight years of research work and five months of compilation were required to make public the information, says Mr. White, using Federal Census reports as his factual base.

Cities Practice Economies To Meet Effects Of War

Cities cutting corners in their budgets to counterbalance war-brought expenses and reduced revenues are making the saving chiefly by eliminating public works construction, reducing street maintenance and building inspection, and doubling up jobs left vacant by employees called into the armed forces.

This is the finding of a survey made by the International City Managers' Association, which secured reports on wartime economy measures of 12 cities.

Eight of the cities reported they are effecting their main reductions by reducing outlays for street and public works maintenance, and at least one other—West Palm Beach, Fla.—expects to save on street lighting through air raid precaution dim-outs. Mason City, Ia., and Asheville, N. C., said they were reducing building inspection personnel because of the drop in construction.

Altogether, nine of the cities

have cut down personnel by curtailing services or by assigning employees still on the job to take over the work of those on military leave. Such reductions have taken place in Yonkers, Mason City, West Palm Beach, Asheville, Knoxville, Pasadena, Watertown, N. Y., Winnetka, Ill., and Rumford, Me. Yonkers' 1942 payroll has 600 fewer employees than it had in 1939.

Other services curtailed by the cities surveyed include garbage collection, police auto patrols, municipal advertising, recreation, weed-cutting, relief and welfare. Two of the cities—Sterling, Kans. and Winnetka, Ill.—reported they are saving money by refunding callable bonds.

Typical of the cities which have tightened their belts, according to the Association, are Asheville and Pasadena.

Bonds Voted And Defeated

While voters in July authorized the largest total of bonds since 1938, with an aggregate of over \$8,000,000, this figure was largely accounted for by approval on July 21 of \$6,500,000 Hampton Roads, Va., Sanitation District bonds. In June, approvals by voters totaled \$6,836,000, while in July, 1941, the figure was \$6,518,600. Proposals involving \$2,674,000 bonds were rejected by voters in July, as compared with \$4,329,000 for the same month last year. On July 28, an election in Laramie, Wyo., resulted in defeat for \$1,500,000 light plant bonds.

On Aug. 4, voters of Wichita, Kan., turned down a proposal to issue \$6,127,000 water system purchase bonds, but on the same date the St. Louis, Mo., electorate returned a favorable verdict for \$4,500,000 airport site development bonds.

It is safe to report that new bond issues are not proving very popular with the great majority of voters in these times, the sole exception being proposals to finance airports. This indicates that Americans are ready to spend for defense, but not for non-essential projects. In pressing for approval of the St. Louis bond proposal, it was stated by the Chairman of the Airport Committee that several billions of dollars of invested capital is seeking commercial airport facilities beyond their own authority to create, and there is almost an equivalent amount in Federal funds to provide landing areas for the ever-increasing number of aircraft now in production.

There appears to be a feeling among municipalities throughout the country somewhat akin to the sentiment that prevailed during the period of wide railroad construction. This war is making average citizens far more air-minded than ever before and the sentiment is being aided and abetted by Government circles. Civic officials are of the opinion that commercial aviation will be greatly expanded when hostilities are ended, therefore, it is their desire to have the communities they represent in the forefront of the movement. "More and better airports" is the watchword of the day. Fewer proposals are being considered by voters, due to the present exigencies, but aviation projects are enjoying their heyday.

To bolster our assertion that voters would favor airport proposals, the electorate of Kanawha County, W. Va., gave a 7 to 1 majority on Aug. 4 to the issuance of \$1,000,000 bonds for such purposes.

At Cleveland's primary election on Aug. 11 the voters followed the war-conscious trend by turning thumbs down on two proposals totaling \$5,000,000, neither issue receiving the required 65% majority. A \$4,000,000 issue would have been used for city bridge repairs; the \$1,000,000 bond issue was for municipal hospital repairs and improvements.

It is said that the city officials may seek to have the hospital bond issues resubmitted, on the ground that the badly needed repairs failed of approval by only a small margin. It appears unlikely that a similar attempt will be made on the \$4,000,000 bridge bonds.

Conn. Rules British Held Property Tax Exempt

Personal property of the British Government in Connecticut may be exempted from taxation, the State Attorney General announced recently.

Although no provisions exist in the Connecticut General Statutes for making such exemptions, under international law "a sovereign state may not impose a tax upon the personal property of another sovereign state devoted to the public service of that state,"

"International law," the Attorney General said, "is a part of the law of the United States, established in this case, by agreement between the British Government and the Government of the United States. As such, it is the law of Connecticut and every other state in the Union."

Real property of foreign governments are not included in the international law agreements. Judge Pallotti said, and hence, is taxable. In the case of Great Britain, he said, very little real property exists in Connecticut.

Personal property of the British Government includes airplane parts, guns, ammunition and other materials of war and all types of lend-lease goods made or stored for shipment in Connecticut.

Although exempt from general assessment and taxation, the Attorney General said that such foreign properties are not exempt from the payment of direct taxes for service rendered, such as water taxes, and taxes which provide full and complete fire or police protection. Such levies must be paid by the government on all properties, real and personal.

Fla. Property Valuations Show Big Rise

The full valuation tax assessment laws passed by the Florida Legislature in 1941 showed total property valuations up as much as 600% in two counties and more than 500% in three others, according to recent Tallahassee advices.

For the whole State, assessed valuations shot up from \$526,108,837 to \$2,126,823,848, or 304.26%.

Little Gulf County, in the Tupelo honey country of West Florida, led all the rest, with valuation increases from \$1,095,283 to \$8,383,004, or 665.37%. Closely following was Martin County, down on the Middle East Coast, with a hike from \$1,553,590 to \$11,577,627, or 645.22%.

Figures on valuations for 1940—when assessments averaged 25% of full value—and for 1941, the first year of the full valuation laws, were compiled by the State Planning Board from records of the Comptroller's office.

N. Y. State Tax Revenues Cut By Gas Rationing

The New York State Tax Commission is currently mulling over a report from its President, Carroll E. Mealey, which shows gasoline rationing is biting into State revenues.

Mr. Mealey reported gasoline sales in the State were off 29% in June—the first full month of rationing in all but 10 counties of the State—and revenue from the motor fuel tax declined \$1,400,000 from the corresponding period last year. The report also showed that, except for beer and wine, less alcoholic beverages are being consumed in the State, but that cigarette sales jumped slightly in July, compared to a year ago.

N. Y. City Post-War Construction Program

Mayor La Guardia received approval from the Board of Estimate last week on an appropriation of \$10,331,555 in serial bonds and tax notes for the planning of a \$628,000,000 city postwar construction program.

Authorization was asked to divide the planning fund between city department engineers and private engineering and architectural firms. Appointment of a special Post-War Planning Commission was recommended to consist of the comptroller, budget director, the city planning commission chairman and the city's chief engineer. All plans and surveys would have to pass this group before being acted upon by the Board of Estimate.

The planning fund would be spent within 18 to 24 months of the present date, officials said.

San Antonio Awards Bonds Litigation Pending

Officials of San Antonio, Texas, announced late Monday night the award of the \$33,950,000 electric power and light revenue bonds to a banking group composed of A. C. Allyn & Co., E. H. Rollins & Sons, Inc., and the Union Securities Corporation. Proceeds from the issue are to be used to finance the acquisition of the physical properties of the San Antonio Public Service Company.

The next best bid for the bonds was tendered by a nation-wide banking group headed jointly by Halsey, Stuart & Co., Inc., and the Mellon Securities Corporation. The Allyn group submitted a combination bid for 2½, 2¾ and 3% obligations, maturing in varying amounts from 1944 to 1972. The interest cost basis to the city of the Allyn bid was 2.85%. The Halsey, Stuart-Mellon Securities bid was calculated at an interest cost basis to the city of 3.0419%.

It is indicated that the bonds were awarded subject to approval by the Attorney General, since litigation over the deal is still pending. Clarification is being awaited of the suit between the Guadalupe-Blanco Authority and the city of San Antonio over the method of converting San Antonio Public Service into public ownership. Guadalupe-Blanco, a Federal Government power authority, on July 13 brought court action against San Antonio city officials seeking to restrain them from proceeding with a contract for purchase of the utility. The Authority claimed that it had the right to take over the company's property.

The successful bid came as rather a surprise to municipal houses, but it must be borne in mind that the Allyn group had been acting as fiscal agents for the city of San Antonio in setting up the deal for acquisition of the San Antonio Public Service Company. For services in this capacity the Allyn group is understood to have been guaranteed a fee of 1½% of the total issue, or approximately \$500,000.

New Orleans Schedules Bond Offering

New Orleans, La., announced late last week, a new issue of \$12,000,000 refunding bonds, to be sold publicly on Sept. 15, in the event that a current plan for voluntary exchanges by bondholders of outstanding and callable 4% bonds for new 2% securities fails to reach a set figure by Aug. 31. The new issue will mature Sept. 1, 1943 to 1950, and bidders are to name a coupon rate of not more than 2%.

The plan upon which the new issue is contingent calls for acceptance by 90% of holders of \$12,000,000 4% bonds due 1950, but callable since July 1, 1942, of the lower rate of 2%, which is estimated to be the rate at which the community can borrow for the term of the loan.

If acceptances to that extent are not available on Aug. 31, the city will call the entire outstanding issue and refund with the new loan now announced in accordance with Louisiana State laws. Last reports available in New York indicated that \$9,942,000 of the 4% issue has been tendered for exchange, against the minimum of \$10,800,000 required.

Ark. Road Yield Increased In 1942

Highway revenues of the state of Arkansas in the first seven months of the year have surged 3.2% ahead of receipts in the comparable 1941 period, figures supplied by the state's department of revenues showed recently. Total net revenues for the seven months amounted to \$9,495,115, compared with \$9,200,138 last year.

This showing comes as a direct contrast to the experience of some states, which have been faced with the problem of dwindling highway revenues as a direct result of restrictions placed on the sale of tires and, in some cases, the rationing of gasoline.

The advance in the state's highway revenues largely has been brought about by the location of army cantonments, airports, other governmental agencies, and national defense industrial plants in the states. Earlier this year, Governor Homer M. Adkins said it was his opinion that the large number of motor vehicles brought into the state, because of this increased activity, would tend to offset any reduction in taxes that might occur as a result of tire rationing and other factors.

The Governor also stated that notwithstanding tire rationing and threatened reduction in the use of automobiles and gasoline consumption, the state was in a stronger financial position than ever before and that it did not have to worry about meeting principal and interest requirements on outstanding indebtedness.

Miss. Lists Large Cash Surplus

Those who advocate more sales taxes to solve State and Federal fiscal problems during wartime may find considerable aid and comfort in a Census Bureau analysis of Mississippi's finances. Comparing Mississippi's operation with that of other States, the Bureau found that the general and special sales taxes there accounted for a greater proportion of public revenue than in any other state—48%.

And Mississippi has just accomplished the feat, amazing even to its own officers whose business it is to look ahead for revenue trends, of ending a fiscal biennium with some \$9,000,000 cash surplus in the treasury.

Whatever objections in principle opponents of the sales tax make, few deny that it is of all taxes the most promptly responsive to a quick business pickup which puts money into circulation. It was the sales tax, boosted by a period of good crops but especially by booming defense and then war activities, which filled Mississippi's treasury to overflowing.

The same tax inevitably will play an even larger proportionate part of the state's future financial arrangements as a result of the 1942 Legislature's lowering of income and ad valorem tax rates.

Calif. Free From Warrant Debts

Improvement in the fiscal affairs of the State of California, which resulted in removal of all registered warrant indebtedness in the last fiscal year, was continued in July, a report from Harry B. Riley, State Comptroller, showed recently.

The State closed the month, the first of the 1943 fiscal year, with a general fund cash excess of

\$29,892,253, which compared with a cash deficiency of \$57,279,989 on July 31, 1941. On the latter date the State did have available cash of \$33,359,898, but it also had current indebtedness of \$90,639,892, of which \$86,800,438 was represented by registered warrants outstanding. The report for last month showed that the State was free from current indebtedness.

The State late in 1941 decided to operate on a strictly cash basis. Up to that time, current operations had been financed largely through the issuance of registered warrants, against general fund receipts. The last of outstanding warrants, aggregating \$54,407,272, were redeemed on Feb. 28. In the entire fiscal year ended June 30, the State called \$125,863,014 in warrants.

So. Dakota Gasoline Revenues Up

Motor fuel tax receipts by the State of South Dakota in the fiscal year ended June 30 set an apparent peak at \$6,028,635, and compared with \$5,653,074 in the 1941 fiscal year, state figures showed. Receipts for the first six months of 1942, the last half of the fiscal year, aggregated \$2,521,856. The state on June 30 had a general fund balance of \$4,013,950 and a rural credit general fund balance of \$1,858,612. As of June 30, total net indebtedness amounted to \$30,973,056, compared with \$32,485,298 a year earlier. The state's net indebtedness has shown an almost progressive decline since the end of the 1926 fiscal year, when it totaled \$59,471,245.

Drainage Projects Serve 12th Of U. S. Farm Lands

One-twelfth of the nation's farm lands—an area equal to the combined states of Indiana, Ohio and Illinois—is served by organized drainage enterprises, the Census Bureau reported recently. In those widespread drainage enterprises, the bureau added, 146,152 miles of open ditch, 55,734 miles of tile drains and 6,793 miles of levees have been built by drainage enterprises.

Total drainage investments in 38 of the nation's 48 states amount to \$691,724,519, expended in drainage district efforts to improve farm lands, remove alkali or seepage from irrigation, protect against overflows, and reclaim swamp lands.

Most drainage acreage is in Indiana and Minnesota with more than 10,000,000 acres each.

Among the states and acreages under drainage enterprise treatment, the bureau said, were:

- Arizona, 298,633; Arkansas, 4,592,738; California, 2,667,194; Colorado, 468,322; Idaho, 659,136; Illinois, 5,091,364; Iowa, 6,164,344; Kansas, 258,113; Kentucky, 465,270; Michigan, 8,978,386; Minnesota, 10,990,409; Missouri, 3,087,063; Montana, 372,661; Nebraska, 916,181; Nevada, 153,373; New Mexico, 305,885; North Dakota, 1,376,041; Ohio, 7,729,267; Oklahoma, 197,646; Oregon, 348,825; South Dakota, 676,472; Texas, 4,218,850; Utah, 202,058; Washington, 405,709; Wisconsin, 761,203; Wyoming, 312,662.

Illinois' Funds At High Point

The State of Illinois closed the fiscal year ending June 30 with a net balance of \$38,393,387 in its general revenue fund, as compared with a balance of \$10,722,247 a year earlier, the eighth annual analysis of state funds prepared by the department of finance showed recently. General fund receipts for the fiscal year amounted to \$108,213,610 and expenditures were \$80,542,470, leaving a surplus for the period of \$27,671,140. This amount, together with the balance of \$10,722,247 at the start of the year, brought the net balance as of June 30 to the \$38,393,387 figure.

In the fiscal year ending June 30, 1941, the state had general fund receipts of \$74,324,525 and expenditures of \$71,804,073, leaving a surplus of \$2,520,451. The general fund is used for general state purposes, including executive departments, courts, the general assembly, charitable and penal institutions, revenue collecting divisions, state share of old age assistance, partial support of the teachers' colleges and the University of Illinois, and other items.

Canadian Bonds Continue Strong

Municipal bond men in this country are following with interest the continued market firmness of various Canadian provincial government obligations outstanding in the United States. There is a tendency toward reduced differentials on prices as between various Provincial government obligations since adoption of the plan whereby the Dominion of Canada for the period of the war emergency has taken over certain taxing powers held by the various provinces.

Under the plan the Dominion guarantees the provinces certain fixed annual sums based either on past income from sources relinquished or on their annual bond interest requirements. Among the sources now guaranteed by the Federal Government to the political subdivisions is the revenue formerly derived from gasoline taxes. This naturally is of no little significance under present conditions, and is considered as placing the Dominion of Canada back of provincial government credit in a more realistic way than ever before.

Among the less highly regarded Canadian provincial issues which have improved considerably since adoption of the plan are Albertas, Saskatchewan and Manitobas, Ontarios, Quebecs, British Columbias, Nova Scotias and New Brunswicks always have ranked rather high on Canada's provincial credit list.

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.)

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 11
\$799,444.73 Minneapolis, Minn.
 Last April the city awarded bonds to a syndicate headed by Halsey, Stuart & Co., Inc. The Northern Trust Co. of Chicago, and associates, were the runners-up in the bidding.

September 15
\$12,000,000 New Orleans, La.
 Syndicate headed by Halsey, Stuart & Co., Inc., successful bidder for issue offered in November, 1939. Second highest offer submitted by Hvams, Glas & Carothers of New Orleans, and associates.

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.

Investment Trusts

(Continued from page 711)
 440, equivalent to \$22.01 per share before deducting the dividend of \$0.42 per share payable Aug. 1.

Keystone Custodian Fund, Series "B 1" reported net assets as of June 30, 1942, at \$2,004,973, or \$25.83 per share. This compares with net assets of \$1,825,209 on Dec. 31, 1941, equal to \$26.54 per share on the smaller number of shares then outstanding.

Keystone Custodian Fund, Series "K 2" in its annual report for the fiscal year ended June 30, 1942, listed net assets at \$414,746, equivalent to \$9.56 per share. On June 30, 1941, the net asset value per share was \$12.13.

Republic Investors Fund, Inc., a leverage fund with bonds and preferred stock in the capital structure, reported net assets at June 30, 1942, of \$847,775, equal to \$2.38 per common share. This compares with a net asset value of \$2.70 per share on Dec. 31, 1941.

Sovereign Investors, Inc., had net assets of \$353,116 at June 30, 1942. This amounted to \$4.67 per share on the 75,518.4 shares outstanding as of that date.

Wellington Fund, Inc., for the six month period ending June 30, 1942, shows net assets at market value amounting to \$5,518,905, compared with \$5,389,512 as of Dec. 31, 1941, or an increase of \$129,393 for the period. Net asset value at the close of the period amounted to \$11.98 per share after payment of \$0.36 per share in dividends during the period. This compares with a net asset value of \$12.33 per share as of Dec. 31, 1941.

Investment Company Briefs

The intermediate trend of stock prices is confirmed as upward in the Aug. 20 issue of National Securities & Research Corp.'s *Investment Timing* service. Says the Service, "The indications are that higher prices will be seen before any extended down movement gets under way." The Service also contains an interesting discussion on the importance of "velocity" in stock selection.

The Aug. 14 issue of *Keynotes* outlines a "balanced investment program for \$10,000." The list contains 30% income preferred stocks, 30% income common stocks, and 40% discount bonds to yield an approximate current return of 8.6%. The three classifications are represented by Keystone Custodian Funds, "B 3," "K 1" and "S 2."

Under the title, "Banks' Earning Assets Expand to Record High," Hare's, Ltd., has published a new folder on the 15 New York City bank stocks in the portfolio of Bank Group Shares. According to the folder, "Currently the stocks of these 15 banks are selling at an average ratio of only 76% of book value. In the past their securities have been considered desirable when selling around 170% of book value and with a dividend yield as low as 3%. Their average yield is presently 5.5%."

Republic Investors Fund, Inc., is out with an attractive six-page folder, "Leverage In Action." In addition to stressing highlights of the Fund, a nine-year record of performance is given.

The August issue of Calvin Bullock's *Perspective* deals with the domestic fats and oils situation under the exigencies of war. "Guns or Butter?" is the apt heading of the discussion. This sponsor has also recently published a folder on Dividend Shares to be used in connection with a letter from the dealer to the prospect. Sample letters are provided with copies of the folder.

"How You Can Buy Into American Industry" is the title of a new folder on American Business Shares. It is a simple, clear-cut exposition of the advantages of owning securities through that fund. Incidentally, the latest issue of Lord, Abbett's *Abstracts* takes a novel viewpoint which should be of particular interest to dealers.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following weekly firm changes:

Transfer of the Exchange membership of Alfred Blumenthal to Milton Wasserman will be considered on Sept. 3. Both are partners in Wasserman & Co., New York City.

With the retirement of Earle T. Shaw as general partner and Bell McK. Watts as special partner in Fellowes Davis & Co., the present partnership will be dissolved as of Aug. 31 and a new partnership will be formed consisting of Philip P. Getty, Samuel H. Watts, member of the Exchange, R. Snowden Andrews, member of the Exchange, and Ralph P. Hinchman, Jr. The firm name will continue to be Fellowes Davis & Co.

Julius C. Peter retired from partnership in Crouse, Bennett, Smith & Co., Detroit, Mich., on Aug. 15.

Nathaniel Parkinson withdrew from partnership in Hutchins & Parkinson, Boston, Mass., on Aug. 18.

Interest of the late W. Harry Glenny, limited partner in Doolittle, Roth & Schoellkopf, Buffalo, N. Y., will cease on Sept. 24, 1942.

Florida Firm Cited

Guaranty Underwriters, Inc., Jacksonville, Fla., has been cited for a hearing by the Securities and Exchange Commission to determine whether the registration of the corporation as broker-dealer should be revoked because of alleged frauds perpetrated against customers.

It is charged that Guaranty Underwriters solicited accounts of uninformed persons on the pretense of serving their best interests, when actually the firm sold to such persons "various securities at prices far in excess of the prices which the registrant paid for such securities, and far in excess of the prevailing market prices therefor." The Commission also charged that Guaranty Underwriters withheld information on market prices from its customers and made false representations as to a group of oil royalties sold its clients, sold oil royalties not registered with the Commission, and carried on securities transactions otherwise than on a national securities exchange. The Commission also alleged that the mails had been used in inducing such transactions.

The case held greater than usual interest, it was declared by a spokesman for the Commission, since the charges are of the type that the proposed disclosure rule of the Commission is designed to prevent.

Brennan Is Buck Partner

John F. Brennan, member of the New York Stock Exchange has become a partner in Richard J. Buck & Co., 39 Broadway, New York City, members of the New York Stock and Curb Exchanges. Mr. Brennan has recently been active as an individual floor broker. Prior thereto he was a partner in Stein, Brennan & Co.

To Be Sweetser Partner

Robert A. Halket will become a partner in Sweetser & Co., 65 Broadway, New York City, members of the New York Stock Exchange, as of Sept. 3.

New York City Gains On Convention Relocations

The New York Convention and Visitors Bureau of the Commerce and Industry Association of New York, Inc., on Aug. 19 released a list of 40 associations that had originally intended to hold their conventions in other cities but finally, because of lack of hotel or transportation facilities, decided to avail themselves of New York City's superior accommodations over those of the city they had originally selected. The list also discloses 22 associations originally scheduled to meet here, but decided to cancel their conventions. In indicating this the Bureau said:

"The two lists revealed that the expected out-of-town attendance at the conventions which changed their locations to New York City would be 19,025 persons, while the 22 canceled conventions were expected to have an out-of-town attendance of 12,735. This leaves a net gain in conventioners for New York City of 6,290. Figured on the basis of \$100, which is the average amount spent by each delegate attending a convention in New York City, a net financial gain over loss has been made of \$629,000."

In releasing the list C. N. Nichols, Executive Director of the Convention Bureau, pointed out that 15 of the 40 conventions transferring to New York City had come out of resorts and that 9 were originally scheduled to be held in Washington, but because of crowded hotel conditions were compelled to move. To date, New York City has secured 3 of the conventions that had been scheduled for Atlantic City where the Government has taken over many hotels and it is expected others will be attracted here.

It is also pointed out by the Bureau that during 1941 there were 537 conventions held in New York City and that the 1942 bookings to date show 553 meetings scheduled for this city. The increase is attributed to availability of hotel facilities, greater ease of transportation in and out of New York and the regular natural desire of persons everywhere to see New York City.

Stirrup Pumps Delayed

James M. Landis, Director of the Office of Civilian Defense, predicted on Aug. 13 an indefinite delay in the production of stirrup pumps for fighting fire bombs in case of air raids. According to the New York "Times," he attributed this to military demands for the plastic, polyvinyl-butylal, a substitute for rubber used in hose. The "Times" also said in part:

"The substitute was developed at the request of the OCD when it found last May that rubber hose could not be obtained, but the Army and Navy have requisitioned the entire supply because of its usefulness in many forms of waterproof garments and containers, according to a statement by Mr. Landis issued at the Second (N. Y.) Regional Headquarters of the OCD."

"Every possible source is being explored to develop another satisfactory stirrup pump hose," Mr. Landis said. "The military uses of the plastic were discovered only recently. In fact, bids on 2,258,000 pumps and 22,580,000 feet of hose had been opened and the Defense Supplies Corporation was ready to let contracts when we were informed Aug. 4 that priority for hose previously assured us had been denied. If the Army and Navy require this material for military purposes, then obviously it is up to civilians to step aside. The needs of our armed forces must come first. We are exerting the utmost effort to find ways to meet civilian needs for protective equipment without interfering with military demands."

Securities Industry To Wage Bitter Fight Should SEC Insist On Bid-Asked Rule

(Continued from page 707)

fair profit. In the long run, an investor would far rather have an investment house receive adequate remuneration for their expense and efforts in handling the account, and have the results satisfactory from the investor's standpoint, than to do business with a firm which made no charge of any kind but consistently lost money for the client.

However, human nature being what it is, it is only logical that if the inside market on "X" Corporation today is quoted 20 bid, offered at 20½ and the investment house is forced to put this on their confirmation and blatantly call the attention of the client to the fact that the house paid 20½ for the stock and is billing it to him at 21¼—which represents a profit of 3.66%, or \$75 on 100 shares—the investor's reaction would be that a New York wire house would execute this order for him on a commission basis and that his net cost would be approximately \$2,075 instead of \$2,125 for 100 shares.

The wire houses do not explain nor does the investor take into consideration that each investment house has a selected, approved list of securities, which in a great many cases they have specialized in for years and which they spend days, weeks and even months in thoroughly investigating the individual securities before placing them on their approved list and who constantly keep in touch with developments affecting the various companies dividend outlook, markets, etc.—none of which the wire house has to do or is interested in doing in connection with unlisted securities. Furthermore, we feel that the investment house is justified in making more than a brokerage profit because the objective is to place the financial affairs of their customers in the best possible position and then do as little trading in the account as is necessary to protect principal. The brokerage house on the average turns over the customer's securities several times as often as the investment house. Although the unit cost of the transaction is smaller with the broker, the gross profit averages at least as much owing to the rapidity of the turnover.

This business at the present time is staggering under a multiplicity of reports, forms, records, etc., that must be kept to comply with regulations already issued. The additional records required under this proposed rule would just be an additional straw on the shoulders of a business which has only been able to survive by the most drastic economies and the greatest efforts of men who have spent their lives learning their profession.

Furthermore, it has been our observation that practically without exception when a large block of a listed security is offered to the public off-board by a brokerage house that the market price almost immediately declines—in some cases, drastically. The broker does not have to reveal that he is making from one to several dollars a share from his customer. In purchasing and selling over-the-counter securities in small blocks with a reasonable profit to the dealer added, the appreciation in the price of the security—if the selection has been well made—will absorb the load and show a net profit to the investor on the average sooner than the listed security will recover from its decline immediately after the distribution of the large block.

In conclusion, we feel that if the National Association of Security Dealers does not make an all-out, last-ditch fight against proposed Rule No. X-15C1-10, which means the death sentence to the business hopes and aspirations of thousands of conscientious, trained investment dealers all over this country, it is not representative of the business as a whole and that the dues paid by such dealers are wasted. The time for weaseling acquiescence to any and all ideas propounded by the Brain Trusters of the SEC, who have never had the worries and responsibilities of running an investment business, is past.

No one would hire a lawyer who constantly lost cases for his clients nor a doctor whose patients die from his inadequate efforts and ability. On the other hand, a lawyer who wins his cases and a doctor whose repute and ability are unquestioned, is worth practically any fee that he charges. Why should an investment professional man not be allowed compensation on a similar basis.

In our opinion, it is a case of fight or die!—(From a Los Angeles, Calif., Dealer)

DEALER No. 21

If the National Association of Securities Dealers, Inc., is worthy of its keep, it is this organization's duty to fight to the limit of its ability and resources against the SEC Proposed Rule X-15-C-1-10. For what purpose was the NASD established anyhow. True members did receive a very weak letter from the Association requesting (and I quote) "The Executive Committee asks each member to submit to the Association any and all suggestions and criticisms of this Proposed Rule which the member feels will be helpful to the Association's response to the Commission's invitation."

An invitation to what? Why an invitation to the demise of the right of free enterprise as applied to the securities business. All the provisions of Rule X-15-C-1-10 are covered under the self-governing provisions embodied in the Certificate of Incorporation of the National Association of Securities Dealers. One hundred percent of the unlisted members of the NASD certainly oppose this rule.

The National Association of Securities Dealers cannot afford to lose this fight. I can think of no other reason for its existence.—(From a New York City Dealer)

DEALER No. 22

Montgomery S. Lewis, President of the State National Securities Corp., of Indianapolis, Ind., furnishes us with the following copy of a letter written by him to the SEC:

Re: Proposed Rule X-15C1-10

I have given a great deal of study to the provisions of the above rule in a sincere effort to try to determine its purpose and its effect both on the business of the over-the-counter dealer in securities and on the individual investor.

The purpose of this proposed rule is not clear, but it would seem to be an attempt to prevent large or extraordinary profits being made by dealers. The difficulty of determining what is an exorbitant profit is very great. Many elements must be weighed and considered and there is no need to outline or discuss them here. I firmly believe, however, that there are very few security dealers who endeavor to take advantage of their customers by consistent over-charges or underbids. The vast majority of dealers are sincerely trying to give a "square deal" and they know that they cannot expect to stay in business unless they do so. It is rare for the "gyp" dealer in any business to stay in business for any considerable period of time. But while in

business he is skillful at evading and circumventing laws and regulations. This proposed regulation can be evaded without much difficulty by one who values long profits more than reputation. The rule, as proposed, provides the method for circumvention. There are already in force rules and regulations against exorbitant profits and the dealer is required to keep books and records which are subject to examination and which set out the profit made on every transaction. It is difficult to see how the proposed rule can strengthen those already in effect, except as it requires a dealer to tell a customer what his competitors prices are and in some cases causes him to disclose his cost price.

If a dealer in securities is required to state the prices of his competitors, should not every merchant and dealer be required to do the same and if necessary to disclose his cost price and profit? And should not a lawyer be compelled to tell his client the best price he has been able to locate among other lawyers for the same service or advice? Or a doctor tell his patient what other doctors would charge for an office visit or an operation? There is no difference, for the security dealer, the merchant, the doctor and the lawyer; each has something to sell. In every field there are a few high price and long profit boys, but in every field these are outnumbered a hundred to one, in my opinion, by the honest, sincere dealers, merchants, doctors or lawyers who seek to build up their businesses by a reputation for being square shooters.

It appears to me that this proposed rule completely fails to consider or understand certain phases of over-the-counter dealing, particularly in smaller communities which have small issues of local securities that are not quoted in any newspaper. It often happens that there is but one market for a certain security which may be the house of origination. Many firms do not trade in these securities except as they may have occasion to sell to the one firm that is the market. It is not possible for that firm to get other bids and asks. Then, under this rule, it must tell a customer what it paid for the security within 60 days. Let us take a case where on May 1 a dealer bought 50 shares of a certain stock at 40 and found that none of his customers was interested in buying and that on June 15 he still had the 50 shares. A customer wants a bid on 25 shares more and the dealer has every legitimate reason for feeling that his bid of 40 was too high. He drops his bid to 37½ but must tell his customer, "I will pay you 37½. On May 1 I paid 40." The customer will be hard to convince that he is being fairly treated. Investors may expect price fluctuations in the securities listed on the New York Stock Exchange, but many of them simply do not understand why a local security should change in price particularly if the change is downward. It actually happens that a customer will sometimes say, "I sold you 10 shares of this stock a year ago for 50. I can't see why you will only pay 40 now." When the dealer tries to explain that he can't sell stock which he owns for 50 and that he has some which he would be glad to sell for 42, it often is made clear to him that the customer does not believe him, for the customer having once received 50 has this price fixed in his mind as a proper and fair one. Those who have not had wide experience in the smaller local securities that have no newspaper quotations and are not actively traded in by many dealers, simply do not understand the many complications that will arise under this proposed rule. Legitimate dealing in such securities will be greatly hampered, in my opinion and dealers may confine their activities to such securities that are quoted in papers and have active trading.

In the cases of active securities, however, the complications caused by this proposed rule will be many. The conscientious dealer would be compelled to call his competitors every day in order to ascertain their bids and asks. He could not make or confirm a bid until he had done so. Let us take a case of a security that enjoyed an active market with several local dealers interested. Dealer A might feel that a security was worth a bid of 40, for example, and would be willing to pay that. He calls other dealers and finds that the best bid they offer is 39. Dealer A may decide that he was over optimistic and will drop his bid to 39, or, if he still wants to be top, to 39¼. The low bid will tend to become the general bid and the high ask will become the prevailing ask. Real competition will be hindered and price fixing will be encouraged by the workings of this proposed rule. That, at least, is my belief. The customer will not be benefited and he will know that dealers have compared notes and, indeed, have been compelled to compare notes by this rule which while designed to protect him is in reality injuring him by destroying competitive bidding.

If the dealer knew that a security was traded in in Indianapolis and Chicago he would be compelled to get the best bid and ask price in both markets in order to give his customer the information required under this rule. Greater activity in the security in one market as compared to the other might result in higher prices which would put the dealers in the less active market in an entirely wrong light in a customer's eyes. But the customer must be told the best bid and ask and if Chicago's ask were less than that prevailing in Indianapolis, Indianapolis would be compelled to drop its price and likewise its bid, so as to conform to Chicago.

So many complications, so many difficulties can arise under this rule that I frankly do not see how it can be made practically workable. Even assuming that it can eliminate "long profits" in the minority of cases where such profits are made, it will, I believe and as I have stated, tend to eliminate competitive bidding and to encourage price fixing to the end that the low bid and the high ask among dealers becomes the prevailing bid and ask. Thus the effect of this rule will not be generally beneficial to investors, but, and this is my sincere belief, generally harmful in more ways than one. It may even, in cases of certain local securities, have a tendency to destroy markets that now exist.

I hope you will see from this discussion that I have made an honest effort to study this proposed rule and to analyze it and that I have tried to pass on to you, as dispassionately as possible, reasons why I believe it to be unworkable and harmful to investors as well as to dealers. I have not dwelt on the fact that I do not see how it can be enforced, or how, if that be possible, it can do more to eliminate exorbitant profits than can now be done under regulations already in effect. Nor have I more than mentioned the fact that the rule can be readily circumvented or evaded by one determined to do so. And the one to whom this rule is probably aimed, the long-profit boy, will be the one who will use the way provided by the Act itself to evade and get around it.

In all earnestness and sincerity I urge that this rule be not made effective.

Respectfully yours,

STATE NATIONAL SECURITIES CORPORATION
(Indianapolis, Ind.)
MONTGOMERY S. LEWIS, President

DEALER No. 23

Walter E. Devlin, Vice-President of Conrad, Bruce & Co., Los Angeles, Calif., sent the following letter to the Investment Bankers Association, Chicago, Illinois:

I have received a letter from the President of our association, Mr. John S. Fleek, enclosing the proposed SEC rule on market price disclosures in over-the-counter transactions.

I probably, along with practically all other investment dealers in the country, feel that this proposed rule, if adopted, would about eliminate the activities of this branch of the security business. As I understand it, this rule has been talked of as an "equalization" method. In other words, it is undoubtedly the thought of the SEC to endeavor to have the over-the-counter business conducted on the same profit basis as securities listed on the National Exchange. I could bring out in this letter that the profits that the honest investment dealer has in the unlisted securities are justified because of the service that he renders to the investor. The answer, of course, to this would be that if the investor appreciated the service he wouldn't hesitate to know the amount that he was paying for it; in other words, the profit involved in the transaction. This I know, of course, is a pretty hard one to get around, however, if one examines other lines of business, he would find that there probably would be hesitancy on the part of many buyers in retail stores if the retailers were required to give to the customer the wholesale price or their cost before the transaction was completed. As far as I know, there is no other line of business that requires the dealer to divulge his costs; why should it be necessary in our business?

Probably the main reason that the SEC is proposing such a rule is with the thought that they want to protect the investor. If they feel that the investor needs protection, it must be that they have had some complaints. I wonder how many in number of complaints that the SEC have had over a period that they have been in business as compared with the total number of over-the-counter transactions that have taken place within the same time. I frankly believe that the percentage would be extremely low. In other words, will all the security dealers of this country be forced to retire simply because a very small percentage of the total transactions have carried profits that the SEC would term unethical? Needless to say that security dealers perform a very important function in our economy and that the investors throughout the country would fare badly if we are forced out of business simply because a very small number of dealers have been somewhat unethical in their practices.

It is, of course, definitely known that the investment dealer could not survive on the basis of competing with National Exchange brokers on the basis of charging the same commissions that are charged on the National Exchanges. If it is the thought of the SEC that they want the over-the-counter business handled with the same amount of profit as listed securities, it would seem that they have not done the necessary amount of research and study of our industry so as to determine the values that are rendered to the investor. I think it is generally agreed that the cost of obtaining an order on a listed security is considerably less than that of an investment dealer. The reason for this is that a large percentage of the orders placed with National Exchange houses are from customers who are in and out of the market. In other words, they have many transactions per customer. Practically the reverse is true of the investment dealers. When he sells unlisted securities to an investor, it is usually held for a long period of time and the cost of obtaining the order, plus the cost of research and analytical work involved make it necessary for this type of transaction to carry a larger profit.

I am quite sure that if there will be close cooperation between the Investment Bankers Association, the National Security Dealers Association and the SEC, that this particular problem can be worked out to the satisfaction of all concerned, but to adopt a ruling such as suggested would probably mean the annihilation of practically all of the investment dealers.

Yours very truly,

CONRAD, BRUCE & CO., Los Angeles, Calif.

WALTER E. DEVLIN, Vice-President

Note: Copy of letter was sent to the National Association of Securities Dealers, Incorporated.

DEALER No. 24

H. R. McClure of Harold McClure & Co., Warren, Pa., wrote to the N. A. S. D., Philadelphia, Pa., as follows:

We have carefully examined proposed Rule X-15C1-10 of the Securities & Exchange Commission.

The intent of the proposed rule is apparently to prevent securities dealers from charging inordinate prices for securities sold, or paying unduly low prices for those purchased. If any practical application of the rule is able to accomplish that, then it would seem to have merit—always providing the ultimate effect is not to narrow the margins between the bid and asked prices to such an extent that over-the-counter dealers cannot afford to deal in such securities at all.

From our own experience let us cite a case where the rule would hardly be practically applicable. We specialize in a local stock, which we shall call "A." As specialists, we are one of the few who buy the stock outright before having orders in hand to accomplish its sale. We continually not only make a nominal but an actual market, being willing to buy at our bid price and willing to sell at our asked price—the spread being from one-half to a point, depending on conditions. In other markets, it is possible to obtain quotations on this same stock—the bid being about one-half point under our own. When one tries to "hit" these bids, however, it is usually disclosed that the quoter has no actual buying orders in the stock and is merely after a shopping position, if interested at all. On the other hand, attempts to buy stock from these dealers at their offering price, usually divulges the fact that they have no stock for sale. Thus, we, ourselves, may be said to be the only true and consistent market for the stock. Question: If the makers of the nominal market quote the above "A" stock 10 bid—offered at 11½ and our actual market is 10½ bid—offered at 11½, what figures would be used in disclosing to the customer the actual bid and asked prices?

As a matter of policy, we almost invariably tell our customers what profits we are making on securities they buy from us, whether compelled to do so or not. One who consistently maintains a long position in a stock over a period of time, must sell occasionally at a loss. The customer would never object to that. On the other hand, a judicious purchase at the right time might enable one after a lapse of several months to realize what would look like an unfair profit on the "A" stock because of changed general market conditions. We

have seen both of these things happen to us in our dealing in "A" stock.

Perhaps the formulators of Rule X-15C1-10 have in mind some special rulings to take care of such cases as are above cited. In that event, we would be inclined to favor the adoption of the rule.

Cordially yours,

HAROLD MCCLURE & COMPANY

DEALER No. 25

At an open meeting of the dealers held in New Orleans on August 5th, called on the invitation of John B. Shober and M. B. Wheeler, of the NASD, and Errol Buckner, of the I. B. A., the proposed new rule of the SEC, entitled X-15C1-10, was opposed for a number of reasons, but principally as follows:

1. While unfair practices may still possibly exist in isolated cases, the proposal does not provide the proper method of correcting them. The application of the rule would be very likely to put 3,000 honest dealers out of business in order to chastise a small handful who could be penalized, and otherwise supervised through routine examinations by the SEC staff.

2. In many cases real markets do not exist and the public would be injured because of the reluctance of honorable dealers to give reliable quotations.

3. Local securities would suffer marketwise because of contraction of dealer interest due to penalties and restrictions placed upon genuine good faith activity.

4. By severely restricting markets, the door would be opened to wide and irregular manipulation of markets by selfish interests who would not be restricted, as at present, by competition, which is the impelling force which brings about fair quotations.

5. The present confusion and perplexity on the part of many investors caused by the multiplicity of prospectuses, hypothecation notices, agent-principal notices and other legal forms would be increased still more, and tend to undermine their confidence in the stability of their investments.

6. The relationship of the local dealer to his client, as recognized by Court ruling to be similar to professional confidence, would be disturbed and harmed, and the dealers would still further suffer from unscrupulous customers of whom, unfortunately, there are many, and who would take unfair advantage of the proposed rule.

In summary, the unanimous and considered opinion of the group was that the application of the proposed rule would not be in the public interest. It would deprive the private investor, whose interests the SEC is quite properly trying to protect, from the advantages of free and open market for his securities. It would deprive the banks holding such securities as collateral of the protection of an active market. It would prevent the fair appraisal of estates and seriously hamper the fair assessment of taxes. It would tend to eliminate the honest dealers who together provide the safeguard and protection of thousands of investors throughout the country, and thus still further concentrate the control of securities in the major financial centres of the country.

The dealers of New Orleans expressed themselves as wholly willing to cooperate in any constructive activities of the SEC which will lead to better protection for their clients and for gains to the public interest. They do not feel, however, that the proposed rule will afford any advantages in these directions.

Signed for, and in behalf of, the following New Orleans dealers all of whom were represented at the meeting:

Beer & Co.
Couturier & Derbes
Jac P. Ducourneau
W. D. Dunbar
T. Jeff Feibleman
Hyams, Glas & Carothers
Kingsbury & Alvis
Kohlmeyer, Newburger & Co.
Lamar, Kingstone & Labouisse
Ernest M. Loeb Co.
Morphy & Smart
National Bank of Commerce
Nusloch Baudean & Smith

Pool Lambremont & Co.
Edward D. Rapier
Scharff & Jones, Inc.
A. M. Smith-Wood Co.
St. D. J. Villere & Co.
Roy M. Watson
Weil & Arnold
Weil & Co.
Wheeler & Woolfolk
White, Hattier & Sanford
Whitney National Bank
Robert R. Wolfe
Woolfolk, Huggins & Shober

Signed for the group:

JOHN B. SHOBER
M. B. WHEELER
ERROL E. BUCKNER

DEALER No. 26

L. D. Sherman of L. D. Sherman & Co., New York City, sent the following letter to the National Association of Securities Dealers:

It is with profound regret that I read the latest proposed legislation of the SEC, that is, rule X-15C1-10. To me and to every other security dealer with whom I have discussed the rule, it is the death knell of one of the oldest businesses in our republic. To the retail purchaser, under the designed plan, is disclosed the wholesale market of the security traded. Instead of hitting the racketeer, the ruling strikes and levels the reputable dealer as a bowling ball does a set of ten-pins when slammed down the middle alley. Gone will be the analysts, the statisticians, the investigators sent out to industrial plants, and gone with them also, the fact-finding statistical services together with their staffs.

Ultimately, the few dealers remaining would be loath to incur the expense of thoroughly scrutinizing plants with the object of new financing. So would the medium-sized companies be forced to go without publicly subscribed capital, an ill which might conceivably set our nation back many generations. As houses fell by the wayside so would markets become thinner and eventually stagnant—all to the detriment of unlisted security holders.

Perhaps then the slick swindler will come into his glory. Without the competition of reliable advisers, it is entirely conceivable this unscrupulous dealer will have at his mercy the very people the Commission should protect.

Instead of penalizing the great majority of honest and conscientious dealers for the sins of the few, we suggest that policing powers be delegated to the National Security Dealers' Association for the purpose of preventing sales of securities to the public at prices which bear no reasonable relation to existing market prices.

Very truly yours,

L. D. SHERMAN

To Secure Art Collection For National Gallery

President Roosevelt informed Congress on Aug. 20 that the Widener art collection has been offered to the National Gallery of Art in Washington and asked for an appropriation of \$195,000 to meet a Pennsylvania State tax that would be imposed on the transfer.

The Associated Press reported the following in its Washington advices of Aug. 20:

"Mr. Roosevelt said the collection was probably 'the greatest private art collection in existence today.' He informed Congress that the Treasury had appraised the present value at about \$3,900,000, although the actual cost to the Widener family was several times that sum.

"Joseph Widener was empowered to make a gift of the collection under the will of his father, the late Peter A. B. Widener, with the stipulation that any resulting taxes be met by the museum selected to receive the collection. While no Federal tax will be imposed, the Pennsylvania State tax will apply, and it became necessary to ask Congress to pay it.

"Along with his message, Mr. Roosevelt sent to Congress an inventory of the Widener collection and copies of his correspondence with Joseph Widener. The Chief Executive said that he derived great satisfaction from knowing that the works would become the property of the nation, and that he had advised Mr. Widener: 'Your gift will make it possible for the people of the United States to enjoy the rich heritage of culture which we are striving to preserve.'

"Mr. Widener's offer was dated yesterday, and Mr. Roosevelt sent his reply, along with his message to Congress, within 24 hours after the terms of the gift reached him. The collection will be housed in the Marble Gallery donated to the Government and the people by the late Andrew W. Mellon, where the famous Mellon and Kress art collections are now on display."

In his message the President said in part:

"I need not dwell on the generosity of the donor and his father, Peter A. B. Widener of Philadelphia, in their determination to make their selection of paintings and other objects of art available to the public. Mr. Widener and his father spent much time and money to gather and preserve this unusually choice collection. It is a magnificent donation, worthy of a great museum.

"It's addition to the Mellon collection and the Kress collection now in the National Gallery would be most appropriate. Indeed, it is for the very purpose of encouraging such gifts that the National Gallery of Art was established at the seat of Government."

Gifts To Paralysis Fund

A total of \$3,908,310 was raised in the 1942 campaign to fight infantile paralysis, the Committee for the Celebration of the President's Birthday reported on Aug. 22 to Basil O'Connor, President of the National Foundation for Infantile Paralysis. The net amount broke all records of previous years. New York State led all others with contributions of \$663,646.

The Foundation receives half of the proceeds, to be used in clinical and laboratory research, to provide epidemic aid and to conduct an educational program to combat the disease, while the other half of the funds remains with the State and county chapters of the Foundation, to provide direct medical assistance to patients. The expenses of the Committee in carrying on the program were \$207,889.

Celebration of President Roosevelt's 60th birthday, for the benefit of the fight against infantile paralysis, was reported in these columns of Feb. 5, page 560.

UP-TOWN AFTER 3

THE MOVIES

"Somewhere I'll Find You" (MGM), is the last Gable picture for the duration but it won't stop men who see it from (1) gritting their teeth with envy and (2) longing for the life of newspapermen who have such fun and meet such interesting people; or make the ladies stop sighing soulfully wishing they too had a Gable in their lives. For Gable is again the gay young Lothario who knows all the answers, women as well as foreign intrigue. Both Gable and Robert Sterling, brothers, and ace foreign correspondents, arrive from abroad, Gable, to tell his boss off, and Sterling, to marry Lana Turner, who is also a member of the Fourth Estate. Up to now Gable and the blonde Miss Turner haven't met, but when they do the kid brother is left out in the cold. Miss Turner and Gable take one look at each other and bang-bang, the fireworks start. From then on it's one clinch after another. Don't get the wrong idea, however. Gable really doesn't want her. He's just saving his kid brother from her. So to help mend her broken heart she takes an assignment to Indo-China where she promptly loses herself. So the brothers put on the Stanley-Dr. Livingston act, go hunting for her, find her, and then they all start for Manila. Then it's December 7. From there on it's no longer a burning story of love among uninhibited newspaper people. It becomes an exciting drama as seen through the eyes of the boys trapped on Corregidor and in Bataan. The love life of the Gables, Turners, et al, becomes unimportant in the face of the battle our boys put up against the Japs. If nothing else in "Somewhere I'll Find You" matters the exciting scenes toward the close make up for it. Directed by Wesley Ruggles.

You probably thrilled to "London Can Take It" and to the other documentary movies which have come out since the war. But if you want to see one that will lift you out of your chair burning to do something, to join in, to help, then don't fail to see "Moscow Fights Back." The photography is not up to Hollywood standards. The characters are not Hollywood actors posing theatrically. For one reason the picture was taken under fire so it can't be a cinematic masterpiece. For another, a man fighting for his country, his home, his family, has no time to make grand gestures in front of a camera. The impact of "Moscow Fights Back" is terrific. You are part of the Red Army as it moves in and recaptures Russian village after village last December when the Nazis were driven back from Moscow. You are with them as they charge in tanks, on horses and on foot. You are right next to a tank that receives a direct hit. You see village after village not as a part of a Fitzpatrick technicolor travelogue but as a part of an avenging people who catch Nazis. You are right in front as skulking Nazis are flushed from under porches. You see the Nazi handiwork. The innocent civilians, old women, babies and old men lying in the snow in tortured poses—dead. You see girls and boys swinging from a gallows. It's a picture of Nazi horror you won't soon forget. When men fall in the field they don't make pretty sights. They are hit. They are dying. Nothing like it has yet come out of this war. If you want to see the raw untouched results of Nazi brutality then by all means see "Moscow Fights Back" now playing in New York at the Globe. The commentary, delivered by Edward G. Robinson, is crisp and convincing.

AROUND THE TOWN

La Vie Parisienne (3 E. 52nd) is one of the few New York restaurants that really looks like something out of pre-war Paris. Arthur Lesser, an American, who lived in Paris for 20 years as a political journalist, radio commentator and cabaret owner, is its owner, has done a remarkable job. From the bar with its three dimension murals by Bernard Lamotte, showing scenes in the Latin Quarter and Montmartre, the main dining room with its fragrant field flowers on each table, to the lobby with its "convenience" it's redolent of the Paris that used to be. For dinner (\$2.50) the place is jammed with interesting people. Soldiers of Free France in New York have already discovered the nostalgic charm of the place and make a bee line for it. For supper there is entertainment. Unfortunately I didn't stay long enough to hear it. I'm familiar, however, with the ability of the guitar singing team of Rasha & Mirko well enough to recommend it. The star of the supper program is Luba Malina, who is also featured in "Priorities of 1942." Then there is Gabrielle, who sings in French and English, and G. Ray Terrell, magician. While giving the effect of size the place is really small so it would be wise to phone ahead for reservations.

In writing about the Penthouse Club I unwittingly overlooked Miss Frances Thomas, the young lady who knows-all-sees-all and tells-all, or as much as a lady can tell. Miss Thomas, a palm reader who takes your hand, shines a flashlight on it, thinks a while and lets you have it. She comes closer to the facts than a Dun & Bradstreet report. Embarrassingly close. As she read my wife's palm, a lady who is a sceptic from away back, I sat back and smirked at my spouse's amazement. But when my turn came it was something else. For now I'm in the dog house. My wife, she won't speak to me. Serves me right. Next time I have a hand-holding session with the astute Miss Frances Thomas I'll see to it my wife stays home. After all, this best friend and worst critic stuff can sometimes be carried too far.

R. R. Fairchild Co. Acquires Wis. Inv. Counsel Firm

CHICAGO, ILL.—The investment counselor firm of Ralph R. Fairchild & Co., 105 West Adams Street, announces the acquisition of the clientele of Associated Bank Counsel of Milwaukee. The latter firm was conducted by the late Egbert A. Brown who was well known in banking circles throughout the State of Wisconsin.

Propose Tax Deductions To Aid Those Meeting "Abnormal Fixed Commitments"

Proposals designed for the relief of debt burdened corporations and individuals were presented to the Senate Finance Committee by the Treasury Department on Aug. 25. Under the Treasury plan, according to special advices from Washington to the New York "Times," an individual would be allowed to deduct from his taxable income part of his outlay both in meeting "abnormal fixed commitments," such as debt repayment, mort-

gages and insurance premiums, and in buying war bonds, the Committee was told by Randolph E. Paul, Treasury General Counsel. The same advices report that Mr. Paul proposed that the exemption should apply to such outlays in excess of 15% of an individual's net income, subject to the limitation that only \$1 could be deducted from taxable income for each \$2 used to buy bonds or meet fixed commitments. He recommended that the total deduction from net income should be limited to \$250 to prevent too large a reduction in taxable incomes. In part the advices to the "Times" continued:

In his recommendations for the relief of corporations, Mr. Paul proposed that combined normal and surtax rates, fixed by the House at 45%, should be raised to 55%, with the House excess-profits rate of 90% retained. He suggested two kinds of reserves on which corporations would be allowed to draw after the war:

1. A post-war credit of 12% of all taxes collected, including normal and surtaxes as well as excess-profits taxes.

2. A "general reserve" consisting of 15% of a corporation's excess-profits net income, which would be held by the Treasury in trust to meet outlays for deferred maintenance, losses from inventories, and similar charges required to restore business concerns to their operating efficiency of before the war.

The Treasury had already recommended a system of post-war credits to the Ways and Means Committee, and interest centered upon the proposals to stimulate war bond sales by tax concessions. Several members of the Senate Committee have contended from the beginning that such a system of "induced savings," or perhaps outright compulsion, would be necessary in order to avoid too great a dependence on commercial banks to finance the deficit of \$53,000,000,000 expected for the current fiscal year.

Until now Secretary Morgenthau had resisted all such proposals, and had insisted that voluntary sales of war bonds, which had been expected to bring in a total of \$12,000,000,000 during the current fiscal year, should be continued at least until next January. Yesterday, however, the Secretary declared that the Treasury would fail to attain its sales quota in August for the third straight month.

"You will have to ask the American public," Mr. Morgenthau said when he was asked the reasons for this failure.

He added, however, that the voluntary system would be continued "for the time being."

Mohair Unrestricted

The War Production Board on Aug. 13 released mohair from the restrictions of the wool conservation order so as to encourage manufacturers to use a larger quantity in civilian fabrics. Previously, mohair was being conserved for the Army but its military use has not developed as rapidly as anticipated, it was explained. Present stocks amount to 19,000,000 pounds and an additional 8,000,000 pounds will be shorn soon from the Angora goats in Texas. Before the war about 65% of all mohair used in the United States was turned into pile fabric for automobile upholstery but, since autos are not being manufactured, this market is now lost.

Urges Child Education

President Roosevelt, in a message to the American Federation of Teachers, declared that "children must not be allowed to pay the cost of this war in neglect or serious loss of educational opportunity." The President's message, read to the Federation's 26th annual convention in Gary, Ind., on Aug. 17, follows:

"This is no time for conventions unless their purposes bear directly upon winning the war and establishing a lasting peace. Your convention will bring together teachers who can contribute much to these two ends. I hope their deliberations will aid the membership of the American Federation of Teachers to see more clearly its mission in this war.

"The struggle is hard, but the teachers can help not only the children but the people of the community to understand the issues involved and why they must endure with courage and high morale the hardships involved.

"Teachers as a group are performing a great service to their country. Children must not be allowed to pay the cost of this war in neglect or serious loss of educational opportunity. I know the teachers will find deep satisfaction in the contribution they are making."

NWLB Closed 148 Cases

William H. Davis, Chairman of the National War Labor Board, announced on Aug. 7 that the Board closed 148 cases involving 827,386 workers between Jan. 12, when it was created by Executive Order, and July 31. The advices state:

"During the month of July, the Board closed 30 cases involving 82,758 workers and received 76 cases involving 184,720 workers. As of July 31, the Board had received a total of 347 cases involving 2,093,164 employees.

"Of the cases closed last month, one was closed by agreement prior to Board action, 14 were closed by agreement through mediation, one by voluntary arbitration, and 12 by Board decision. One was returned to the Secretary of Labor, and one was a jurisdictional dispute settled by the Labor Members of the Board."

War Bond Redeeming Small

The Treasury Department announced on Aug. 14 that "redemptions of war savings bonds have been insignificant in volume compared either with the total amount outstanding or with month-by-month sales."

As compared with the receipts of \$909,900,000 from the sale of war bonds in July, the redemptions amounted to slightly under 3%.

Of the \$7,550,000,000 of E, F and G bonds sold through July, 1942, since they first went on sale May 1, 1941, 98.77% are still held by the more than 20,000,000 individual Americans who bought them, the Treasury reports.

For all series of United States savings bonds, A through G, including the old "baby bonds" redemptions in July totaled \$25,500,000, or 23/100ths of 1% of the \$1,077,800,000 (redemption value) of all savings bonds outstanding on July 31.

Tomorrow's Markets Walter Whyte Says

(Continued from page 709)

It reached its peak with the news of the Dieppe Commando foray. But despite the various interpretations of these military achievements the market was unable to go through previous resistance zones.

As this goes to press the news is no longer good. For the time being United Nations attacks seem to be over. Our forces in the Solomons are fighting off a Jap counter-attack and the Russians are still being driven back in the Caucasus. The biggest battle of our times is now going on before Stalingrad. In the next few days this battle will gain more and more newspaper space. Whether or not Stalingrad will fall, I don't know. I recall that last fall, however, the Nazis were held when they were only 12 miles from Moscow.

Considering the news the market should have plenty to worry it. Yet it does not act unduly disturbed. True, it's down and will probably go down still more but based on present and recent market action I don't think the decline will go very far. The question of course is time. How long will it go down and how long will it stay there before it turns up again? That's something I can't answer. But based on past and present performances I hazard an opinion that within ten days the market will reassert its basic trend.

Meanwhile readers and followers of this column should maintain their positions in the stocks recommended here from time to time, always keeping critical levels (stops) in mind.

J. W. Y., Martinsville, Virginia: Crane is acting about as well as the rest of the market, perhaps a little better. My advice of where to stop the stock which appeared in last week's column still applies. Incidentally I like the way you date your letter "August 18, 1942 One Day Nearer Victory."

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.]

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Expects '43 Sugar Ration To Stay At Present Rates

The Government's sugar rationing program is operating on a basis that will make possible the maintenance of allotments to consumers through the first nine months of 1943 at least equal to those at the beginning of rationing, providing the shipping outlook in the Caribbean does not take a radical turn for the worse, the Office of Price Administration announced on Aug. 13. The announcement said:

"The analysis of the U. S. sugar supply, compiled under the direction of Harold B. Rowe, chief of the food rationing division, included estimates that to maintain the minimum ration through the first nine months of 1943 will require the distribution of 4,173,000 tons of sugar, but that an additional 830,000 tons will have to be kept in the Nation's sugar larder to insure an adequate supply in all sections of the country.

"While the shipping outlook is a highly uncertain factor, Mr. Rowe's report said, it appears unlikely that receipts from Caribbean sources of supply will exceed a rate equal to the quotas established by the Inter-departmental Shipping Priorities Committee for the period of June 1 to Dec. 31 of this year, which totaled 1,742,000 from Cuba, Puerto Rico and the Virgin Islands and other sources.

"This rate of import would provide 2,240,000 tons during the first nine months of 1943, Mr. Rowe said, with other anticipated supplies listed as:

"From Hawaii, 600,000 tons.
"From the U. S. beet sugar crop in early 1943, 200,000 tons.

"These receipts aggregate 3,040,000 tons, and since the total needed for the nine-months' distribution is 5,000,000 tons, we must go into the new year with at least 1,960,000 tons of sugar on hand.

"It must be recognized," the report said, "that this inventory would be adequate only in the event receipts during the first nine months of 1943 equalled the full rate of the present shipping quota. Since this rate of receipts is not certain, a further reserve is desirable."

"Accordingly, it has been concluded, Mr. Rowe said, that a year-end stock of 2,300,000 tons would represent a reasonable compromise between actual danger of shortage in the country, and an excessive use of warehouse space now so sorely needed for our war production program.

"The ration allowances for the remainder of this year, Mr. Rowe revealed, are being gauged to provide for this necessary stock on hand for Jan. 1. He pointed out that if the shipping situation turns out to be better than we now have the right to expect, or if distribution is less than expected, any excess supply of sugar can then be distributed as a bonus, or extra allowance to consumers."

OPA Allows Extra Sugar

Sugar ration stamp No. 8 will be good for five pounds of the commodity in the ten weeks Aug. 23 to Oct. 31, the Office of Price Administration stated on Aug. 15. It is pointed out that while not changing the basic ration of half a pound per person a week, the allotment will enable consumers to make purchases in larger units and facilitate the disposal of five, ten and twenty-five pound packages, according to the Associated Press, which further said:

"These sizes were put up before the start of rationing, and processors have had some difficulty marketing any of them because ration stamps to date have been good for one or two pound purchases. Unless this sugar is sold, the OPA made known, it would have to be repacked, causing an 'undesirable waste of labor and materials.'

"Stamps Nos. 6 and 7, each good for two pounds of sugar, may be used until midnight, Aug. 22. Stamp No. 7 gives a consumer a two-pound bonus."

A uniform means of providing allowable sugar inventories for persons who have opened up new retail or wholesale businesses since rationing went into effect on April 28 was announced by the OPA Food Rationing Division on Aug. 17. The announcement said: "A new retailer will be given an initial allowable inventory of one pound of sugar for each \$1 of gross sales he estimates will be made during the first week of his operation. His estimated gross sales should include all commodities—meats, groceries, fruits, vegetables, etc.

"The allowable inventory of a new wholesaler will be the customary minimum shipping unit in which sugar is delivered to wholesalers in his territory, plus the amount of sugar the wholesaler estimates he will sell during the first two calendar weeks of his operation."

The OPA also recently revealed on Aug. 3 that previously announced increases in the sugar allotments of industrial and institutional users for the months of July and August will be extended to cover the allotment period of September and October. According to the OPA, industrial users will be given a 10% increase, raising their allotment to 80% of their sugar base for these four months, while institutional users will be granted a 25% increase, boosting their allotment to 75% of their base. The increase to these consumers over the four-month period will amount to approximately 160,000 short tons of sugar.

The War Production Board has provided for the entire 1942 allocation to American refiners of raw cane sugar, both imported and domestic. The allocation, supplementing the earlier allotments set for the first nine months of 1942, amounts "to approximately 70% of the amount of imported and domestic raw cane sugar refined in 1941, which was a high year. It amounts to approximately 85% of the cane sugar refined annually during the three-year period immediately preceding 1941."

Move To Reclassify Married Men For Draft

Asserting that the "end is in sight" of the available supply of single men for military duty, Maj. Gen. Lewis B. Hershey, National Selective Service Director, said on Aug. 21 that reclassification of all married men would begin "probably in October and certainly by Christmas." He advised men with secondary dependents or a wife only to make arrangements to enter the Army now.

Associated Press advices from Evanston, Ill., reported: "When the supply of single men is gone in the next few months," he said, "we must dip into the group of men with wives and secondary dependents." General Hershey explained secondary dependents were those other than wives and children.

Expressing his views at a press conference and in an address before the National Institute for Commercial and Trade Organization Executives on the Northwestern University campus, the Director said that the number of able-bodied men in industry must be "drastically reduced in the very near future."

"I can't talk too tough about the necessity of getting men in 2-A and 2-B replaced.

"We have learned there are very few irreplaceable men, and in industry, agriculture and in government we have got to train people to replace draft-age men, and we have got to do it quickly.

"In the past, selective service has protected vital industries, such as aircraft and ship pro-

ducers, against loss of man power, but from here on, when the army needs the man, there will be no waiting until he is replaced."

It is expected that a move will soon be made in Congress to amend the Selective Service Act to permit the drafting of youths 18 and 19 years old. The draft ages now are 20 to 44, inclusive. Selective Service headquarters in Washington announced on Aug. 19 that it had abolished its "limited military service" Class 1-B, those with minor physical defects, and ordered all but the totally unfit available for military service. All those now in the 1-B class are to be reclassified, beginning Sept. 1, into either 1-A registrants, those fit for full or limited duties, or Class 4-F, totally unfit for any service. The reclassification is expected to be completed by the first of next year. The order specifies that not more than one-fourth of the 1-B registrants in any local board area are to be shifted to Class 1-A in any single month.

The army began inducting men from the 1-B class on Aug. 1 because the 1-A lists were nearly exhausted.

"Americas And War"

Inter-American cooperation and hemispheric solidarity, expressions used with varying degrees of understanding, are revealed and explained in actual fact in "The Americas And The War," a volume compiled by the Pan American Union at Washington, D. C., and now ready for distribution to the public. The Pan American Union in making this known said:

"Included in the volume are the measures of a political, economic and juridical character which have been adopted at the meetings of Foreign Ministers and on other occasions. A glance at the topical headings in the table of contents reveals a chronological treatment of activities and events which will serve to summarize succinctly the evolutionary development of the relationship of the Americas to the war. These headings are: 'Events Preceding the War'; 'Neutrality'; 'Threats to Territorial and Institutional Security'; 'War'; 'War-Time Economic Cooperation.' Under each of these general topics appear the many steps that have been taken toward the development of inter-American cooperation."

In his foreword, Dr. L. S. Rowe, Director General of the Pan American Union, points out that the volume on "The Americas And The War" reflects "a singular achievement in the field of international relations." "With prophetic vision," he continues, "the statesmen of the Americas foresaw the trend of events several years before they actually occurred, and adopted appropriate measures to meet the contingencies that might arise." He concludes:

"The measures adopted were not the spontaneous action of a group of States unknown to one another; they were the result of the conscious efforts of many years to improve the reciprocal relations and to strengthen the bonds of friendship uniting the American Republics in one great continental community."

"The Americas And The War" is a 60-page mimeographed work and may be purchased for 25 cents, orders to be addressed to the Pan American Union, Washington, D. C.

To Buy El Salvador Rubber

The State Department announced in Washington on Aug. 24 that El Salvador has agreed to sell to the United States all the rubber it can produce during the next four years, except what may be needed for essential domestic requirements.

This is the eleventh such agreement concluded with Western Hemisphere countries.

July Life Insurance Sales Decline

The sales of ordinary life insurance in the United States in July amounted to \$459,499,000, about 21% below the volume sold in the corresponding period of 1941, according to the monthly survey issued by the Life Insurance Sales Research Bureau, Hartford, Conn., made available Aug. 14. The total sales volume for the first seven months of 1942 aggregating \$4,031,746,000, however, is about even with the amount sold in the same period of 1941.

The sales volume and the ratios for all sections are reported by the Bureau as follows:

	JULY 1942		YEAR TO DATE	
	Sales	Ratios	Sales	Ratios
	'42-'41	'42-'41	'42-'41	'42-'41
	Volume	All	Volume	All
	in \$1,000	Cos.	in \$1,000	Cos.
U. S. total	\$459,499	79%	\$4,031,746	100%
New Eng'ld.	37,051	78%	323,855	100%
M. Atlantic	115,844	75%	1,089,597	99%
E. N. Cent.	105,599	80%	914,335	99%
W. N. Cent.	46,746	83%	388,902	104%
S. Atlantic	44,696	78%	383,949	96%
E. S. Cent.	18,549	80%	162,414	101%
W. S. Cent.	32,199	75%	287,588	98%
Mountain	13,165	85%	101,211	98%
Pacific	45,650	85%	379,895	109%

French No. African Trade

The office of War Information announced in Washington on Aug. 14 that the exchange of goods with French North Africa, under the terms of the economic accord, has been resumed; the trade between the United States and French North Africa is a two-way affair, the OWI said, explaining that two French vessels sailed from the United States on Aug. 9 with non-military consumer goods, in exchange for two shiploads of North African products. The supplies from the United States consisted of brown sugar, copper sulphate, cotton cloth and thread, condensed milk, tea, leaf tobacco, coal and kerosene. Among the products included in the shipments from North Africa are cork, tartar and olive oil. The latter ships sailed on Aug. 14 from Casablanca for the United States.

The United States suspended shipments to French North Africa last March until a satisfactory arrangement could be worked out with the French Government at Vichy. Secretary of State Hull disclosed in June that trade was being resumed on a limited scale; referred to in these columns on July 2, page 23.

Concessions For Panama Asked By Roosevelt

President Roosevelt sent a special message to Congress on Aug. 13 recommending that this Government make certain concessions which have been desired by the Republic of Panama over a period of years, explaining that by doing this the United States would "correct certain factors in the relations between the two countries which do not make for confidence and friendship." The President said:

"I deem it advisable that this Government convey to Panama the water and sewerage systems in the cities of Panama and Colon; that it relinquish its extensive real estate holdings in the cities of Colon and Panama, so far as these holdings are not essential to the operation and protection of the Canal; and that it liquidate the credit of \$2,500,000 made available to the Republic of Panama by the Export-Import Bank for the construction of Panama's share of the Chorrera-Rio Hato Highway, a road essential to our defense requirements and constructed in accordance with standards made essential by these requirements."

At the outset of his message the President said:

"The Treaty of Friendship and Cooperation between the United States of America and the Re-

public of Panama, effective on July 27, 1939, was a definitive step in the clarification of this Government's relations with the Republic of Panama. The Panamanian Government has demonstrated its willingness to assume promptly and wholeheartedly the burdens imposed upon it as partner in the defense of the Panama Canal, a responsibility which was accepted by that Government under the provisions of the new treaty.

"The attitude of the Panamanian Government in the present international crisis has been thoroughly cooperative. On Mar. 5, 1941, the President of the Republic of Panama issued a manifesto making available for use by the United States certain defense sites in the territory of that Republic. Pending the conclusions of final arrangements regarding the terms on which these sites are to be used, the Panamanian Government has permitted our armed forces to occupy and develop them. Immediately following the attack by the Japanese on Pearl Harbor Panama declared war on the three major Axis powers, and since has taken numerous protective steps to cooperate with the other American republics in the interest and security of the Panama Canal and the defense of this hemisphere.

This attitude is tangible evidence that the relations between the two countries are now firmly based upon a recognition of mutual interest and a disposition to assume common responsibilities."

Dried Fruit Ceiling To Be Up 15% At Packer Level

The Office of Price Administration announced on Aug. 19 that it will shortly increase the March, 1942, prices on dried prunes, pears, peaches, apricots, figs and raisins by some 15% at the packer level. However, it is not likely that civilian consumers will be greatly affected since the Government will take over this season a major portion of the dried fruit and raisin pack for the military forces and lend-lease. This is in accordance with a recent War Production Board order freezing all of the 1942 production and the 1941 crop carryover in the hands of packers. The supply of the six major dried fruits not purchased by the Government will be made available for civilians.

Last year the output was 500,000 tons with a \$75,000,000 sales value. The OPA move will allow processors specified margins over the support buying prices to growers, set previously by the Department of Agriculture. This is described as providing "another link in the coordinated program to encourage maximum production and distribution."

In order to take care of the possibility of sales to the Government and private trade, OPA has established specific ceiling prices for both at the packer level. These apply to both the 1941 and 1942 packs, with differentials for other grades, varieties and container sizes as they prevailed in the fall of 1941.

British Supply Mission

The British Purchasing Commission, 15 Broad St., New York City, recently changed its name to the British Ministry of Supply Mission. When first established in November, 1939, the mission was known as the British Purchasing Commission but in January, 1940, when it was merged with the French Purchasing Commission, the name was changed to the Anglo-French Purchasing Commission. However, when the French withdrew from the war in June, 1940, the organization went back to its original name British Purchasing Commission.

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.

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)

TUESDAY, SEPT. 8

WASHINGTON NATIONAL INSURANCE CO.

Washington National Insurance Co. has filed a registration statement with the SEC covering \$1,000,000 being estimated amount of employee contributions during first ten years of employee's retirement plan.

Address—610 Church Street, Evanston, Ill.

Business—Employees retirement plan.

Offering—The savings and profit sharing pension fund of the Washington National Insurance Co. employees, is a trust, and is referred to as the plan of the fund. The plan is a voluntary contributory employees retirement plan under which, after it becomes effective, those eligible employees, who elect to become participants and depositors under the plan, will deposit in the fund 5% of their compensation, but, in no case, more than 5% or more than \$250 a year.

Registration Statement No. 2-5036. Form C-1. (8-20-42)

WEDNESDAY, SEPT. 9

BOND INVESTMENT TRUST OF AMERICA

Bond Investment Trust of America has filed a registration statement with the SEC for 41,544 units of beneficial interest. Total includes 1,544 units of beneficial interest now issued and outstanding to the extent that the same may be repurchased and thereafter reoffered, together with 40,000 units authorized but not heretofore issued.

Address—49 Federal Street, Boston, Mass.

Business—Investment trust.

Underwriting—Whiting, Weeks & Stubbs, Inc., Boston, principal underwriter.

Offering—At market with aggregate amount of proposed cash offering totaling \$4,097,900, with certain discounts allowed on large single transactions.

Proceeds—For investment.

Registration Statement No. 2-5037. Form A-1. (8-21-42)

THURSDAY, SEPT. 10

PARK AVENUE & 91ST STREET, INC.

Park Avenue & 91st Street, Inc., through trustees has filed a registration statement with the SEC for voting trust certificates for 5,475 shares of capital stock, \$1 par value.

Address—Address of trustees 18 East 48th Street, New York City.

Business—Apartment building.

Offering—Registration is in connection with the extension of a voting trust agreement from Sept. 30, 1942, to Sept. 30, 1947. The voting trustees have consented to act under the voting trust agreement, as amended, after Sept. 30, 1942, the present termination date.

Registration Statement No. 2-5038. Form F-1. (8-22-42)

SATURDAY, SEPT. 12

RHEEM MANUFACTURING CO.

Rheem Manufacturing Co. has filed a registration statement with the SEC for 85,326 shares of common stock, par value \$1 per share. Statement notes that the 85,326 shares is plus such additional shares, not heretofore registered as the company may be required at any time to issue by virtue of the anti-dilution provisions of its articles of incorporation upon the conversion of shares of its cumulative preferred stock, 5% series. In addition to the 130,000 shares of common stock, par value \$1 per share, heretofore registered for this purpose, the company estimates that shares of such stock will be required to be reserved for this purpose by reason of the issuance of up to 40,000 shares of its cumulative preferred stock, 6% series, and the issuance and sale of the 85,326 shares of common stock, par value \$1 per share,

registered hereunder. This statement is to be completed by amendment.

Address—Normandy Building, Washington, D. C.

Business—Company is normally engaged principally in the manufacture and sale of various metal products made from sheet steel. It presently is engaged to a large extent in the manufacture and sale of certain military products made from sheet steel and in the rough and finish machining of certain other metal products for military use.

Underwriting—Blyth & Co., Inc., New York, is named as sole underwriter.

Offering—Public offering price will be supplied by amendment.

Proceeds—To be used to discharge notes payable to Tennessee Coal, Iron & Railroad Co. in amount of \$126,096; to discharge deferred indebtedness of \$100,000; and the balance to reduce short-term bank loans. Short-term bank loans now outstanding, with other funds of the company, were used to increase inventories by approximately \$2,700,000, and for capital expenditures totaling \$1,400,000.

Registration Statement No. 2-5039. Form A-2. (8-24-42)

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 be-

come 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 thereof in trust for the holders of such shares. The amount to be utilized in such redemption will be supplied by amendment.

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

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

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

Central Maine Power Co. on Aug. 5, 1942, filed a request with the SEC to withdraw trust indenture data in view of decision to sell the proposed issue of \$5,000,000 10-year serial notes at private sale. On July 16, 1942, company filed an amendment with the SEC to withdraw the proposed notes from registration and such withdrawal was approved Aug. 19, 1942.

Amendment filed Aug. 22, 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.

ELICOTT 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. registers 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 portion of Florida.

Underwriting and Offering—The securities registered are to be sold by company under the competitive bidding Rule U-5 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 102½, 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 Aug. 19, 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)

Registration Statement withdrawn Aug. 22, 1942.

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 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-effective amendment disclosing the terms of such distribution.

Registration effective 1 p.m. EWT on Aug. 22, 1942.

Announced Aug. 24 that Commercial Investment Trust had acquired the stock through E. H. Rollins & Sons, Inc., for permanent investment. There will be no public offering.

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 Alspal 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.

Underwriting—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 warrants 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

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

LUKENS STEEL CO.
 Lukens Steel Co. filed a registration statement with the SEC for \$2,200,000 4 3/4% 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 4 3/4% 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

NU-ENAMEL CORPORATION
 Nu-Enamel Corporation filed a registration statement with the SEC for 105,500 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.

POTOMAC ELECTRIC POWER CO.
 Potomac Electric Power Co. filed a registration statement with SEC for \$5,000,000 first mortgage bonds, 3 3/4% 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)

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)
 Registration effective 5:30 p.m. EWT on Aug. 19, 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 3% 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 refunding of the company's outstanding funded debt
 Registration Statement No. 2-4981, Form A-2, (3-31-42)
 Amendment filed Aug. 21, 1942, to defer effective date

UNION ELECTRIC CO. OF MISSOURI
 Union Electric Co. of Missouri filed a registration statement with the SEC for 1,895,000 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 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 A-2 (2-2-42)
 Union Electric Co. of Missouri, on Feb. 3, 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

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 Amendment filed Aug. 10, 1942, to defer effective date

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 (or each 5/94ths of a share held at \$5.3; for each unit. On a share basis, stockholders may subscribe to 5 new shares or 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 being offered 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 A-2, (12-29-41)
 Amendment filed April 21, 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 being offered 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 A-2, (12-29-41)
 Amendment filed April 21, 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
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The Bond Selector

(Continued from page 706)

Nevertheless, there is every good reason to believe that the United States will buy as much Cuban sugar as is necessary to maintain the Cuban economy at a satisfactory level. According to "Standard and Poors," this contention is supported by the directive recently issued ordering the Commodity Credit Corporation, the RFC and Defense Supplies Corporation to purchase any exportable surplus agricultural commodities with which our Latin American neighbors may be burdened.

It is obvious that the United States Government will collaborate to the fullest extent with Cuba, inasmuch as the island is an extremely important link in our ring of Caribbean defenses. An indication of this was the conclusion in early July of a monetary pact designed to stabilize the peso-dollar relationship. Under the terms of this agreement, the United States undertakes to sell gold to the Cuban Government with payment due 120 days later. Such outstanding unpaid amounts, however, are limited to \$5,000,000. This accommodation is expected to help Cuba's monetary problems.

The increase in Cuba's revenues so far this year is a good indication of the excellent business conditions which prevailed at the beginning of 1942. Collections from January through June 20th totaled P.46,432,000, or about P.11,000,000 more than in the corresponding period of 1941, although the figures are not strictly comparable. The excess over budgetary expenditures in the first six months of 1942 was about P.1,944,000. This improvement, however, has not been maintained. Not included in 1942 receipts are P.3,628,000 proceeds from tax surcharges which are used to pay for national defense and other emergency purposes, and P.2,898,000 in special taxes imposed to service the \$25,000,000 Export-Import Bank loan.

Although the External 4½s, 1977, alone are considered to have any speculative attraction at the present time, other issues, most of which are selling above par, should be held for income.

Result Of Treasury Bill Offering

Secretary of the Treasury Henry Morgenthau, Jr., announced on Aug. 24 that the tenders for \$350,000,000, or thereabouts, of 91-day Treasury bills dated Aug. 26 and maturing Nov. 25, which were offered on Aug. 21, were opened on Aug. 24 at the Federal Reserve Banks. The details of this issue are as follows:

Total applied for.....\$891,602,000
Total accepted.....352,883,000

Range of accepted bids:
High, 99.925 — Equivalent rate approximately 0.297%.

Low, 99.906 — Equivalent rate approximately 0.372%.

Average price, 99.907 — Equivalent rate approximately 0.369%.

A total of 73% of the amount bid for at the low price was accepted.

There was a maturity of a similar issue of bills on Aug. 26 in the amount of \$250,986,000.

Stock Exch. Commission Rates Should Be Raised And Split With Non-Member Firms Permitted

By W. TRUSLOW HYDE, JR.

Maintaining a constant demand for the billions of dollars of American securities has become a real selling job and is no longer merely a social affair.

The need of the securities market does not call for a rejuvenation or refinement of past practices but an adequate staff of capable salesmen to bring the idle funds of the public into the market.

Naturally, securities salesmen must be paid just as vacuum cleaner, automobile or insurance salesmen are paid. But even with the most recent increase in commission rates, the compensation of customers brokers, the new term for salesmen of Stock Exchange houses, is entirely inadequate. To make \$5,000 a year under the most liberal allowance made by Stock Exchange firms, a customer broker must sell either \$3,000,000 worth of stocks or \$8,000,000 worth of bonds. To obtain this volume from individual investors is a physical impossibility. There just aren't enough hours in a year to induce 600 individuals to invest \$5,000 apiece in stocks or 1,600 individuals to invest \$5,000 apiece in bonds. Even if this were possible, however, the prospect of a \$5,000 gross income would not be sufficient inducement to attract men of suitable abilities. Securities salesmen cannot be expected to work for a commission of 0.2%.

But there are men of ability and experience willing and anxious to sell securities listed on the Stock Exchange as soon as they are offered an adequate commission. These men are the salesmen of the 2,000 unlisted houses who are members of the N.A.S.D. Despite the handicap that they are now barred from selling the securities of many of the country's best corporations because they are listed on the Stock Exchange, they are able to make a living selling unlisted securities to individual investors. There have been proposals to enlist the services of these salesmen by splitting Stock Exchange commissions; but since the commission is not large enough to split, the plan as offered is not feasible. How can a man be induced to sell a security for a fraction of a commission when all of it would be insufficient?

The only way to obtain a demand for securities and insure a liquid market is to pay salesmen to develop it. As Henry J. Kaiser revolutionized the shipbuilding industry by breaking away from old, accepted practices, the Stock Exchange must throw out its antiquated ideas of commission rates. It must establish a minimum commission of at least 2% which will not only enable its own salesmen to make a living without inducing customers to overtrade to every one's disadvantage but will also provide a sufficiently large commission to split with accredited unlisted dealers. The result will be increased volume as the orders, which cannot now be economically solicited, flow in from salesmen of both member and non-member firms.

James Brown Dies

James A. Brown, Vice-President of Clement A. Evans & Co., Inc., Atlanta, Ga., died at the age of forty-six. Mr. Brown began his investment career in Atlanta as a Vice-President of the Trust Company of Georgia, leaving there to become President of the Equitable Company with which he was associated until 1941 when he joined Clement A. Evans & Co.

Attractive Situations

The current situation in Philadelphia Reading Coal & Iron Co. 5s of 1973, certificates of deposit, and 7s of 1949, and in Denver & Rio Grande Western 4s of 1936 offers attractive possibilities, according to circular issued by Schoonover, deWillers & Co., Inc., 120 Broadway, New York City, from whom copies may be obtained upon request.

Reserve Requirements Cut In N. Y. & Chicago

The Board of Governors of the Federal Reserve System announced on Aug. 18 a reduction in reserve requirements to 24%, from the existing rate of 26%, of net demand deposits for central reserve city member banks in New York and Chicago, the reduction becoming effective as of the opening of business on Aug. 20, the Reserve Board's announcement said. This action is in accordance with the Act of July 7, 1942, which gave to the Board the power to change reserve requirements of member banks in central reserve cities without changing requirements for member banks in other cities. The text of this Act appeared in our issue of July 16, page 200.

This move by the Board will result it is understood in adding about \$400,000,000 of excess reserves of member banks in New York and Chicago. The 26% requirement on demand deposits for Central Reserve Cities, which is the statutory limit, had been in effect since Nov. 1.

Regarding the Reserve Board's action Associated Press, Washington advices Aug. 18 had the following to say:

"Officials said the action had been taken because the lendable funds of banks in those two centers had fallen to \$150,000,000, the lowest figure, so far as could be recalled, since the first World War. As recently as 1939, New York and Chicago banks had more than \$3,500,000,000 of such idle funds.

"Behind the action was an important change in the flow of the nation's money occasioned by the war. In peacetime, the country's money tended to pile up in New York and Chicago because of their position as financial centers. Now, however, the nation's principal business is making weapons for war, and Treasury checks by the billions of dollars are going out to factories and to men and women all over the country. As a result, banks elsewhere generally have much more than their usual supply of investment funds, while New York and Chicago have proportionately less.

"The action, in the opinion of officials, in no way affected the interest of the depositors. Even the revised reserve requirement in New York and Chicago is higher than the rest of the country. In the ten other Federal Reserve cities, the reserve requirement is 20%, and in all other communities it is 14%. In the case of time or savings deposits, the rate is a uniform 6%.

"Since war financing dominates the investment field, the New York and Chicago banks are expected to use a substantial portion of the newly released funds to buy Treasury securities. However, Federal Reserve officials said, it would not be accurate to say that this was the purpose of the order. Outside of New York and Chicago the member banks of the Federal Reserve System have about \$2,000,000,000 of free funds, technically called excess reserves.

Wm. Stafford, Sr. Dead

William F. Stafford, Sr., member of the New York Stock Exchange, died at Huntington Hospital after suffering a stroke. Mr. Stafford had been active in Wall Street for about 38 years.

Butler, Herrick To Admit

Andrew R. Butler will be admitted to partnership in Butler, Herrick & Marshall, 30 Broad Street, New York City, members of the New York Stock Exchange, on Sept. 1. In the past Mr. Butler was a limited partner in the firm.

Blauner, Simons To Admit

Ernest A. Linburn, member of the New York Stock Exchange, will shortly become a partner in the New York Stock Exchange firm of Blauner, Simons & Co., 25 Broad Street, New York City.

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Our Reporter On "Governments"

(Continued from first page)

against demand deposits is 14%. . . . In all cities, the requirement against time deposits is 6%. . . .

Chances are the requirement rate will run along as is for a while and then, when the Chicago and New York banks get into a tight spot again, the rates will be cut again. . . . Maybe to 22%. . . . And then, a third step might bring them down to 20%.

And then, if conditions warrant (which they probably will in the future) the rates of all banks may be lowered. . . .

To sum up then:

- (1) The board intends to keep a firm grip on the interest rate situation, but to ease requirements of New York and Chicago banks and of banks generally, only as changes are demanded. . . .
- (2) The Federal Reserve again has shown its determination to maintain the over-all level of interest rates. . . .
- (3) But the authorities have revealed they will not take steps that might ease the money situation too much at one time, for always along with control of the Government bond price level, goes the demand for all moves to avert inflation. . . .

INSIDE THE MARKET

To indicate the "squeeze" on city banks before reserve requirements were lowered in New York and Chicago, borrowings of Federal funds at the New York Federal Reserve Bank hit a peak of \$90,000,000 one day recently. . . . That was the highest level shown in years, brought back memories of the days when borrowings of funds by banks from the Reserve institutions was the usual and not the exceptional thing. . . . Interest rate on "Federal fund" borrowing is ¼ of 1%. . . . Rate on discount bill purchases by Reserve is ¾ of 1%. . . .

Treasury announcement that \$662,000,000 maturing Treasury notes and RFC securities are to be paid off on respective maturity dates of Sept. 15 and Oct. 15, took financial community by surprise. . . . No point in denying that this writer anticipated a refunding on simple, straight logical basis that refunding would be easy and Morgenthau wouldn't want to use up \$662,000,000 unnecessarily at this time. . . . Purchasers of RFC's and Treasury 2s didn't lose anything, for this has been a riskless wager all along. . . . Didn't gain anything either. . . . Morgenthau apparently wanted to make sure "we" didn't start guessing with any degree of confidence concerning his plans. . . .

In the "street," there are two schools of thought as to the long-term wisdom of that plan. . . .

New York banks have been buying discount bills and certificates since revision in their reserve requirements. . . . Large banks in other cities reported fairly heavy buyers of shortest-term notes, those due especially in the one and two-year maturity range. . . . Life insurance company investments in Governments now total around \$1,800,000,000 for 1942 to date, representing more than 58% of this year's purchases and comparing with purchases in same 1941 period of only \$502,000,000. . . . It's mostly the registered 2½s, of course. . . .

Figures on allotments of certificates of indebtedness in April, June and August reveal that wider and wider distribution of certificates is being attained and institutional investors outside of the big Eastern cities are responding in greater and greater volume. . . . Rise in interest rate, naturally, has been big factor. . . . So has been publicity and so has been redistribution of reserves in recent months. . . . But here are some impressive figures:

New York took \$833,000,000 of the April issue, \$731,000,000 of the June issue, \$698,000,000 of the August issue. . . . Boston took \$104,000,000 of April's, \$90,000,000 of June's, \$78,000,000 of August's. . . . Now notice this contrast: San Francisco took \$64,000,000 of April's, \$102,000,000 of June's, \$122,000,000 of August's. . . . Kansas City took \$23,000,000, \$43,000,000 and \$48,000,000, respectively. . . . Chicago took \$186,000,000, \$246,000,000 and \$278,000,000, respectively. . . . Richmond took \$40,000,000, \$43,000,000 and \$50,000,000. . . .

And so it goes. . . . Obviously, the wider distribution is a fact. . . .

BANK RATIO
Authoritative report out of Washington is that soon several monetary authorities will make announcements to the effect that the one-to-ten capital-asset ratio on longer, is sacrosanct and banks may ignore it when they're in the market for Government bonds. . . . Announcements expected from various officials and then one single story may come out from FDIC Chairman Crowley or Treasury Chief Morgenthau or Federal Reserve Board Chairman Eccles. . . .

The fact is this ratio can't be maintained if banks are going to buy as many Government bonds as they must during this period of low stock prices and unpopular bank stocks. . . . The fact is, the member banks of the Reserve System already hold \$26,000,000,000 of Governments and they're going to hold another \$30,000,000,000 or so a year from now. . . . Their assets are skyrocketing. . . . Their capital is staying just about where it was a while back. . . . No one-to-ten ratio can be maintained under those conditions. . . . Either the banks have to stop buying Governments or the ratio—so treasured by the authorities in the decade of the '30s—must go by the boards. . . .

You can supply the answer as to which one will go. . . . So if you've been worrying about your ratio, you can forget it. . . . No authority will scold you for passing it in these times. . . .