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OUR REPORTER'S REPORT

The railroads, according to market observers, are pursuing a cautious and carefully planned program of debt retirement under the recently enacted tax amendment permitting them to reduce their outstanding bonded debt without incurring tax liability in the procedure.

Sharp recession which marked the carrier obligations early this week was not considered to reflect any letdown in interest on the part of the issuers. Rather it was ascribed to the general tendency on the part of traders with open positions to recognize the railroads as among the outstanding securities which would be abruptly affected by any early move toward peace.

People who follow the market closely were certain that the setback, rather than reflecting any withdrawal of company buying orders, might be regarded as having provided these potential buyers with more favorable opportunity for picking up securities.

At the same time they described the railroads' operations as cautious in the extreme and as designed to avoid any assistance whatever to speculators who might be seeking to profit by the change in conditions surrounding carrier obligations.

There is certainly no disposition to reach for bonds which are on their buying lists, but rather a clear cut determination, judging by such operations thus far, to obtain as much for the money available as is reasonably possible.

Central Maine Power

The path is now being rapidly cleared for the completion by the
(Continued on page 1703)

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HOW DID WE GET THIS WAY?

THE ANATOMY OF CAPITALISM

By H. B. LOOMIS and JOHN B. KNOX
of John B. Knox & Company

Editor's Note: Postwar planners and postwar propagandists are as ubiquitous in Washington as were the program makers and the panacea hawkers in the early years of New Deal history. Indeed the two groups are largely the same. The players have changed their costumes and shifted the scenery, but the play goes on with little alteration in the dramatis personae.

Nor has there been any basic change in the nature of the programs devised. Postwar plans are today for the most part the New Deal plans of yesterday—often wearing new dress and somewhat glorified, but essentially the same. New Deal program makers, now wearing postwar planning labels, continue as in the past to pore over their blue prints with their backs to the world of realities. Their products are every whit as dangerous as they ever were—perhaps more so since the war appears to have lent them additional psychological support.

The best way to combat such seductive proposals as those now appearing almost daily, perhaps the only effective way, is to turn the flood light of fundamental truths upon them.

It is with hope of doing its part in combating this menace that the "Chronicle" is presenting a series of articles, of which this is the first, which call the reader's attention pointedly to certain fundamentals often overlooked in this day and time. It can think of no better contribution to postwar planning.

Part I

The tendency, in these days of dogmatic "isms, ologies, ocracies and osophies," is for the believers in individual initiative and private enterprise to assume a defensive attitude. Practically without rebuttal they allow the proponents of different systems to over-emphasize the defects and under-emphasize the virtues of capitalism.

Even our definitions are being changed, without protest and without a full understanding of the technique of semantics used to discredit the processes which have produced the highest standards ever attained by any system. We seem to fail to understand that the campaign is not directed against the imperfections in our social order but against the social order itself; that it is a schematized and by no means innocuous array of misrepresentation.
(Continued on page 1706)

Shall Personal Property Rights Be Abrogated By Bureaucratic Edict?

SEC Reiterates That Dealer Profits Not To Their Liking Constitutes Fraud

Ever since the founding of this nation, there has been one sacred right guaranteed by the Constitution which has become such a vital part of our accepted way of life that it seems impossible that this right should ever have to be defended by anyone. That is the Constitutional guarantee pertaining to what we call PERSONAL PROPERTY RIGHTS.

Personal property rights have been established and defined by one hundred and sixty years of usage and judicial determination. Who is there among the people who would challenge a citizen's right to buy any kind of property, either real or personal, at any price he wishes to pay for it, or vice-versa, to turn around and sell this property at any price he chooses, even to give it away if he so desires—to make either a small profit or a very large one? In defining this Constitutional right we are not considering war time limitations, which we all understand are admitted temporary abrogations of property rights.

No court has ever established the principle that the amount of profit that any citizen derives from the sale of ANY PROPERTY HE LEGALLY TRANSFERS TO ANOTHER, WHETHER IT BE LARGE OR SMALL, SHOULD IN ANY WAY DETERMINE WHETHER OR NOT A FRAUD HAS BEEN COMMITTED BY THE SELLER UPON THE BUYER.

No preferences have ever been made in the interpretation of this Constitutionally guaranteed right of every American citizen to buy, hold or sell ANY KIND OF PROPERTY. No exceptions were made between the man who buys and sells tangibles and intangibles. One business has been treated the same as another. The man who buys and sells a pair of shoes is free to pay as little as he can for the shoes he buys, or as much as he wishes for that matter. If he sells them for 10 times their cost to anyone
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CHICAGO, ILL. — William H. Sahud, formerly Vice-President of Charles K. Morris & Company, Inc., has become associated with Sills, Troxell & Minton, Inc., 209 South La Salle Street, in that firm's sales organization. Mr. Sahud is well known on La Salle Street as a financial writer and analyst.

E. H. Heminway Now
With Georgeson Co.

Edwin H. Heminway, formerly Secretary and Director of Minsch, Monell & Co., Inc., has joined the organization of Georgeson & Co., 40 Wall Street, New York City.

Aycock Co. Formed

NORFOLK, VA. — Aycock & Company, with offices in the Royster Building, has been formed here to deal in municipal and corporate securities. Partners of the firm are William T. Aycock, Jr. and Virginia J. Aycock. Mr. Aycock was formerly local manager for Scott, Horner & Mason, Inc., Granberry & Co., and Whitehouse, Hudson & Co.

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Situation Attractive

The common stock of Long-Bell Lumber Co. offers attractive possibilities, in view of the company's improvement during the past few years, with the outlook for earnings for 1942 on the common stock definitely optimistic, according to a circular issued by Ward & Co., 120 Broadway, New York City. This circular brings out the fact that there was \$2,456,367 cash segregated for preferred stock sinking fund requirements on the balance sheet as at Dec. 31, 1941, at which time there were 110,557 shares of preferred outstanding. Only nine months later, as at Sept. 30, 1942, there were only 81,451 shares outstanding. As at Dec. 31, 1941 just the cash and U. S. Treasury tax notes exceeded all of the current liabilities, the net working capital being \$12,256,911.

Copies of the circular discussing other interesting factors affecting the company may be had from Ward & Co. upon request. Ask for memorandum No. 260.

Also available is Memorandum No. 261, "Peace Time Industrials," for distributors of securities at retail, describing ten selected issues of peace-time industrials.

Chgo. & Alton Interesting

The current situation in refunding 3s of Chicago and Alton Railroad Co., which is controlled by the Baltimore & Ohio, offers attractive speculative possibilities at present levels, both as to income and price appreciation, according to a circular issued by G. A. Saxton & Co., Inc., 70 Pine St., New York City. Copies of this circular may be had upon request.

Wells Is Lt.-Commander

H. Prescott Wells of Outwater & Wells, 15 Exchange Place, Jersey City, N. J., has been commissioned a Lieutenant Commander in the U. S. Navy.

Price Disclosure Rule Would Handicap Local Governments In Borrowing Operations, Says IBA

In the "Chronicle" of Thursday, Nov. 5, we reported the action of the Investment Bankers Association of America, through its President, Jay N. Whipple, in advising the Securities and Exchange Commission of its undivided opposition to the Commission's proposed bid and asked price disclosure rule, X-15C1-10. Mr. Whipple informed the Commission under date of Oct. 29 that, pursuant to the SEC's request, the suggested regulation had been given extensive study by the Association's executive officers, Board of Governors and the staff. The statement of protest submitted to the Commission, he added, also "reflects the combined opinions and reactions of a large proportion of our membership."

The statement was presented in two parts—the proposed rule in its general application to the over-the-counter securities industry, and in its practical application to State and municipal securities.

The first part of the statement was reproduced in substantial degree in Section 1 of last Thursday's "Chronicle." We are giving herewith the text of Part II, in which the Association sets forth, among other features, the deleterious effect which the proposed rule would have on the borrowing operations of the States and their municipalities and the "insurmountable difficulties" with which dealers in municipals would have to contend in attempting to comply with the provisions of the rule:

Part II

The Proposed Rule In Its Practical Application to State and Municipal Securities

We submit that in practice the proposed rule would adversely affect the marketing facilities for the security financing of the states and their governmental units. In our opinion such a rule would be in violation of the intent and purpose of Congress in its enactment of the Securities Exchange Law as originally written and as subsequently amended.

We believe this is evidenced in the memorandum dated Aug. 27, 1942, on the legal aspects of the proposal prepared by David M. Wood of the law firm of Thomson, Wood & Hoffman, New York City, copy of which was previously sent to the Commission. We believe that it is also evidenced in the opinion on the subject of Caldwell, Marshall, Trimble & Mitchell, attorneys, New York City, which has been published and copy of which, we understand, either has or will be submitted to the Commission. If need be, a further discussion of the legal phases of the proposal will be presented to the Commission by David M. Wood.

From the practical angle we submit that should the rule be put into force, it would be injurious to:

1. Borrowing municipalities (public interest).
2. Investors.
3. The industry engaged in marketing municipal securities and in developing and broadening the markets for such securities.

Borrowing Municipalities

The practical effects of the proposed rule would impede the mar-

Tomorrow's Markets

Walter Whyte

Says—

Optimistic outlook for war end based on week-end invasion news brings market rally. Don't advise being carried away by mass buying. Reaction levels now raised.

By **WALTER WHYTE**

Everything that passed before paled into insignificance by the week-end news of the American invasion of the North African Coast. Last week's election holler, and everything else which seemed so important then was relegated to the scrap pile.

The stock market celebrated the switch from defense into offense in the only way it knew—a sharp rally accompanied by volume. Monday's trading reached a figure of 1,207,643, the largest this year. Only on two other days this year has volume managed to cross the million share mark. Monday's market opened plus and before the day was over managed to add more than a point in the Dow averages. Yet under this pressure to buy it was evident that the market did not move as a unit.

For some strange reason mass opinion believed the African invasion indicated an early end to the war. The so-called war stocks were sold and the peace stocks were bought. The result was the rails slumped, Bethlehem, U. S. Steel, and others currently regarded as war favorites followed suit. On the other hand stocks associated with peace time activities, Sears Roebuck, Allied Chemical, utilities, etc., shot up, some of them making new highs on the move.

Whether the war is close to

an end is a guess; your's as good as mine. But to jump at conclusions because the long awaited offensive opened, is not only silly, its stupid.

Last week I was bearish. I repeated the advice to stay out of the market until a reaction of about five points had been seen. As of Monday night not only didn't the market react but advanced another point or so above the previous close.

I don't mind telling you that last Thursday was very uncomfortable. For despite the fact that that day's market was off fractionally there existed a certain undertow which was definitely not bearish.

I knew, for example, that the N. Y. offices of the different press services, AP, UP, INS, were suddenly beginning to seek men to cover the European scene. No one knew why so many new men were needed so urgently. Even the foreign editors of the news services didn't know, or if they did, didn't do any talking. The sudden increased demand for war correspondents plus the action of the market clearly showed something of importance in the wind. Well, the rest is now history. We now have to decide what to do from here on.

Well, the first thing I'm going to tell you is that if you don't have any stocks now, this is hardly the time to get them. I have a marked aversion to buying anything against competition. When everybody and his brother is jamming the order room window with buy slips I prefer to stand aside or do some selling.

So far I saw little in Monday's run up, or Tuesday's decline, to make me change my mind. If anything Tuesday's sell-off scared as many people as Monday's rally cheered. For another, markets such as you are seeing now are full of dangerous pitfalls. Being whipsawed is the one quickest way of running your account into the ground. No, the more I study the market of Monday and Tuesday the more I feel that buying at

(Continued on page 1702)

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Emmett Corrigan

At a meeting of the Board of Directors of Albert Frank-Guenther Law, Inc., 131 Cedar Street, New York City, held Friday, Nov. 6, Emmett Corrigan, formerly First Vice President and Treasurer, was elected Chairman of the Board; Victor J. Cevasco, formerly Vice President and Secretary, was elected First Vice President and Treasurer; Harold E. Maples, formerly a Vice President, was elected Vice President and Secretary. William T. Cobb and Ben S. Laitin were elected Vice Presidents. Russell Law remains Chairman of the Executive Committee and Frank J. Reynolds, President.

Ins. & Bank Evaluator

The current issue of the Insurance and Bank Stock Evaluator, issued by Butler-Huff & Co. of California, 210 West Seventh St., is now being distributed. The Evaluator contains a comparative analysis of 85 insurance companies and 37 banks as well as a brief discussion of leverage and insurance stocks.

Copies of the Evaluator together with an interesting memorandum on Globe and Republic Insurance Company may be had from Butler-Huff & Co. upon request.

DEALER BRIEFS

Buffalo, N. Y.

We find an increasing refusal to be stampeded by either good or bad news on the part of investors. Considerable buying of reorganization rail bonds was effected in the recent sharp sell-off, and clients are still receptive to this class of security where potential values are indicated.—Bertram Parsons, Parsons & Company

Greenville, S. C.

We find a very good demand for equities in Textile Stocks of this section, which have maintained long dividend records and which have been selling under the market for sometime. It seems to us that this demand will continue until these stocks reach a level of other stocks which have already felt the effects of an increased market price.

We feel that the Income Tax Bill just written by Congress is probably as fair a tax bill as has been brought out in some time, and will probably encourage buyers rather than give them cause for hesitation. Inflation, which seems to be staring everyone in the face, is another cause for the buying of equities at this time in this section.—Alester G. Furman, Jr., Alester G. Furman Co.

Jacksonville, Fla.

The passage of an amendment to the Florida State Constitution, pledging for fifty years 2 cents of the State gasoline tax to Road and Road District bonds, will also strengthen Municipal and School District bonds by relieving some of the ad valorem tax burden. This is already being felt in the Florida market.—H. G. Carrison, Vice-President Clyde C. Pierce Corporation

Twin City Bond Club Gets 1943 Nominees

MINNEAPOLIS, MINN.—The nominating committee of the Twin City Bond Club has presented the following slate to be voted upon at the Club's annual election to be held Dec. 12 at the University Club, St. Paul, Minn.

President: Frank T. McGuire.
 Vice-President: Robert L. John, Thrall West & Co.
 Secretary-Treasurer: Rudolph S. Juran, Juran & Moody.

Three members of the Board of Governors will be chosen from the following nominees: Merrill M. Cohen, J. M. Dain & Co.; Alton Judge, John S. Bauman & Co.; C. D. Mahoney, C. D. Mahoney & Co.; Merrit W. McDonald, Kalman & Co.; I. D. Owen, Allison-Williams Co.; and H. H. Wylie, Wells-Dickey & Co.

NSTA Service Flag

The following are members of the Bond Traders Club of Chicago, Inc., who are now serving in the armed forces. The Bond Traders Club is an affiliate of the National Security Traders Association.

Richard J. Aldsworth, Joseph G. Ballisch, Kenneth S. Beall (deceased), George F. Brewar, Frank Buller, James J. Callan, Richard Cooley, Walter E. Cooney, James E. Czarniecki, J. Smith Ferebee, William A. Grigsby, Charles Hofer, Henry Jensen, Fred F. Johnson, Hugh Kearns, W. W. Leahy, Ed. Ljening, Donald R. Muller, Norman J. Powers, Arthur Sacco, Harry A. Taylor, Richard Wallace, T. D. Walsh, Raymond C. Wauchop, Burnham Yates.

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Colorado & Southern and the McLaughlin Act

By OSCAR LASDON*

Does the Colorado & Southern's proposed Plan of Adjustment meet the requirements of the McLaughlin Act?

This plan was originally presented as a voluntary adjustment and modification of the road's securities and was authorized by the Interstate Commerce Commission under Section 20a of the Interstate Commerce Act. After passage of the McLaughlin Act, however, the company decided to take advantage of the benefits of that legislation. Under the provisions of this recent amendment to the Bankruptcy Act, assent of three-fourths of the aggregate amount of claims affected by the plan, including at least three-fifths of the aggregate amount of the claims of each affected class, makes the terms binding upon all creditors.

Terms of the Plan

For purposes of this discussion, only the main points of the plan are of interest. First, there is provision for the extension of maturities of company and subsidiary obligations, including a ten-year extension to 1955 of the refunding and extension mortgage bonds (a first lien on the Colorado & Southern Company lines) which are owned entirely by the RFC. The RFC also holds notes and securities of the Colorado & Southern and its subsidiaries, some of these securities representing collateral pledged behind subsidiary notes. None of the obligations extended under the plan has as yet matured, but they come due from 1944 to 1948.

Certain modifications of interest, for the period Nov. 1, 1941-Nov. 1, 1954, are also contained in the plan. Interest on the refunding and extension mortgage is reduced from 4½% to 4% per annum. Of this new rate, 2½% is fixed while 1½% is contingent upon earnings and non-cumulative.

Interest on the general mortgage bonds of 1930, the only bond issue of the Colorado & Southern system outstanding in the hands of the public, is also reduced from 4½% to 4% per annum. Of the revised rate, 1½% is fixed while 2½% is contingent upon earnings and non-cumulative.

Contingent interest on the refunding mortgage and the general mortgage do not rank equally. After satisfaction of the road's revised fixed interest requirements, income available for charges is then applied to contingent interest on the refunding mortgage bonds. A \$300,000 capital fund has the next claim on earnings. Remaining income must be used to meet contingent interest on the general mortgage bonds.

Stockholder interests, consist-

*In approving the issuance or modification of securities under a plan of re-adjustment, the McLaughlin Act requires certain findings by the Commission. These include a determination by the Commission that the road is "not in need of financial reorganization of the character provided for under Section 77" and that the "corporation's inability to meet its debts, matured or about to mature, is reasonably expected to be temporary only." However, if, prior to the effective date of the McLaughlin Act, modification or issuance of the new securities had already been approved by the Commission under Section 20 a of the Interstate Commerce Act, such findings are waived. In this case, such approval had been secured prior to the passage of the McLaughlin Act.

*Mr. Lasdon is Associate Editor of Bankers Magazine and a member of the New York Stock Exchange.

(Continued on page 1706)

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Boston Traders Ass'n Reports On Members

BOSTON, MASS.—Additional members of the Boston Securities Traders Association now serving in the armed forces are:

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Pvt. J. L. R. French, 805th TSS, Barracks 1029, Sioux Falls, S. D.

Robert U. Ingalls, Tucker, Anthony & Co., has reported for duty at Camp Devens.

Herbert W. Young, F. M. 2C, 495 Summer Street, Boston, Mass.

The Association also reports that James H. Goddard (Air Force Headquarters, A. P. O. 887, Postmaster, New York City), and Samuel G. Jarvis (Army Air Base, Columbia, S. C.) have been promoted to the rank of Major.

The Association on Monday, Nov. 23rd, will hold the annual Turkey Festival at the Boston Yacht Club, Rowes Wharf, at 5 p.m. Cost will be \$1.50 and the profits of the activity will be used for remembrances for members in the service. (Six Christmas packages have already been mailed to members of the Association stationed out of the country—one box going to the Solomon Islands.)

Robert Peirce has resigned as a Governor of the Association and has left for Detroit where he has taken a position with the Woodall Industries, Inc. William Prescott was elected to fill Mr. Peirce's place as Governor of the Association, his vacancy on the Board being filled by Ralph Carr, who assumed the Chairmanship of the Board.

The Traders Association has opened its bowling season with four teams in competition—Coast Guard, Army, Marines and Navy. At the last report the Coast Guard was leading.

Taylor & Brown Join Ingalls & Snyder

Ingalls & Snyder, 100 Broadway, New York City, members of the New York Stock and Curb Exchanges, announce that Samuel R. Taylor and D. Howard Brown, formerly partners in the firm of Taylor & White, are associated with them as Managers of their Over-the-Counter Trading Department.

1942 Federal Income Tax

John H. Lewis & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, have issued an interesting circular on capital gains and losses and their treatment under the 1942 Federal Income Tax. Copies of this helpful circular may be had from the firm upon request.

DALLAS

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Realtors To Hold War Conference Nov. 18-20

Frank Bane, Assistant Administrator of the National Housing Agency in charge of the new program under which Government will lease available structures of every suitable kind and remodel them for war housing, will address the Realtors' National War Conference, to be held in St. Louis, Nov. 18, 19 and 20. Accompanied by Ormond E. Loomis, head of the conversion division of the Homes Use Service, which has been set up to carry out the plan, Mr. Bane will discuss with realtors from all over the country the procedure proposed. Realtors will participate actively in listing properties suitable for conversion and throughout the whole conversion program. The whole field of war action and war changes as they affect real estate and the work of the realtor will be subject matter of the Conference.

Col. John J. O'Brien, in charge of real estate acquisition for Army use, and John J. Courtney, in charge of the real estate program for the Navy, are among Federal officials who will take part in the Conference. Norman Littell, Assistant Attorney General, in charge of the Lands Division of the Department of Justice, will address a dinner meeting for appraisers. Paul A. Porter, Assistant Administrator of the Office of Price Administration in charge of its Rent Division, will conduct a half-way informal discussion on rent control, its administration and its implications, now of major importance to every branch of real estate activity. It is expected that Ivan D. Carson, newly appointed director of operations of OPA's Rent Division, and other officials of the Division will also take part.

David B. Simpson, Portland, Ore., President of the National Association of Real Estate Boards, will outline objectives toward which realtors as a national group must direct their efforts in a time of war and at this critical period of the war.

Attractive Outlook

The earnings outlook for the 40 Wall Street Building, Incorporated, is particularly attractive at the present time, according to an analysis issued by Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York City. Copies may be had from Seligman, Lubetkin & Co. upon request.

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REAL ESTATE SECURITIES

THE 1942 TAX LAW FAVORABLE IN ITS EFFECT ON BONDHOLDERS

The Revenue Act of 1942 provides for greatly increased income taxes. Its effect upon corporations' earnings available for distribution as dividends must in many cases reduce the amount paid annually. In contrast holders of corporation bonds face no cut in the interest payments.

The interest which a corporation pays on any outstanding bonded indebtedness is a deductible item of expense together with depreciation charges on fixed assets before arriving at net income. Dividends are paid from any remaining net income after payment of taxes.

A relief given to corporations by the Act is the feature whereby no taxable profit arises through the retirement of bonded debt at a discount below par. This also can have an effect upon dividend payments as some corporations who can take advantage of reducing funded debt at a discount, thereby also reducing fixed charges may elect to use funds available for dividends for retirement of bonds.

Real estate securities are now more than ever in an excellent position. First, in most cases after interest charges, allowable depreciation has wiped out any otherwise taxable income, but prior to the 1942 Revenue Act the profit on bonds retired by sinking fund operations has in some cases offset depreciation charges and caused some taxable income.

A specific example to illustrate the foregoing is the case of the Hotel St. George Corporation. For the fiscal year ended Aug. 31, 1942, net earnings, after 4% interest on \$3,747,900 first mortgage bonds and 4% interest on \$351,000 Income Debentures amounted to \$323,686.57 which would be taxable except for the fact that allowable depreciation charges of \$292,544.82 were taken, reducing taxable income to only \$31,141.75. The depreciation charges are of course only book entries and in no way reduce the cash earnings.

Under the trust indenture terms the sum of \$174,958.15 in cash was available (maximum annual amount of 2%) for retirement of bonds through sinking fund operation. Principal bonds

in the amount of \$371,600 were retired with these funds resulting in a profit of \$196,641.85 to the corporation which in former years would be taxable but under the 1942 Act is free from taxes.

One other example is that of the Broadway-New Street Corporation, showing earnings, after 4% interest on funded debt, of \$71,182.99 taxable if not for depreciation charges of \$96,666.67 which when taken results in a book loss of \$25,483.68. Again actual cash position is not affected and under indenture terms approximately \$74,000 cash is available for retirement of bonds through operation of the sinking fund. The Trustee has not as yet asked for tenders but should this money be expended to retire bonds at an average price of 50, the resulting profit of approximately \$74,000 would not be taxable.

Many investors looking for continuation of income from their investments are showing considerable interest in this type of security due to the attractive yields offered, the favorable tax position and the prospects for enhancement in value above current levels.



TRADING MARKETS IN
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Proposed Plan To Draft Labor Called Dictatorial, Inimical To Freedom

The idea of compulsory mobilization for civilian manpower was criticized in the Senate on Nov. 5 by Senator McNary of Oregon, the Republican leader.

Senator McNary said the threat of taking men from one job and placing them in another was "the most dictatorial proposal that was ever conceived, in my opinion, by American minds." He continued:

"If there is one thing in this country that goes to the heart of democracy, it is freedom of action. Democracy is founded upon respect for the home and the hearth and the love of freedom of action, and when it is attempted by legislation to take one individual, however humble he may be, and however unimportant in his community, and, by force of law remove him from one section of the country and place him in another or from one precinct to another or

change his habitat or his activities, it is certain that the man so affected will resent such an attempt, because it is un-American and undemocratic."

Senator McNary added that he would have more to say on the compulsory manpower mobilization question "if such a bill should ever come before the Senate."

On the same day (Nov. 5) Rear Admiral Emory S. Land, Chairman of the Maritime Commission,

PERSONNEL ITEMS

If you contemplate making additions to your personnel, please send in particulars to the Editor of the Financial Chronicle for publication in this column.

NEW YORK, N. Y.—Homer F. Locke has become associated with Shields & Co., 44 Wall Street, New York City, in their Municipal Bond Department.

NEW YORK, N. Y.—Edward F. Hirsch has joined the staff of Stroud & Co., Incorporated, 120 Broadway.

(Special to The Financial Chronicle)
CHICAGO, ILL.—Thomas M. Barry has become affiliated with Leason & Co., Inc., 39 South La Salle Street. Mr. Barry was previously with Ryan-Nichols & Co. and Thompson Ross Securities Co.

CHICAGO, ILL.—Lorne C. Smith, formerly with Shields & Company here, is now associated with Merrill Lynch, Pierce, Fenner & Beane, Board of Trade Building.

(Special to The Financial Chronicle)
CHICAGO, ILL.—Franklin J. Neuberger is now with Mitchell, Hutchins & Co., 231 South La Salle Street.

(Special to The Financial Chronicle)
CLEVELAND, OHIO—Arthur N. Lindsey has become connected with Merrill Lynch, Pierce, Fen-

ner & Beane, 216 Superior Avenue, N. E. Mr. Lindsey was formerly with Goodbody & Co. and prior thereto was with Prescott & Co.

(Special to The Financial Chronicle)
KANSAS CITY, MO.—Edward P. Brown, J. B. McIntire, Theo. C. Mueller, C. B. Roberts, George Sims, Harry W. Sisk, and Wm. F. Smith have become associated with Barrett Herrick & Co., Inc., 1012 Baltimore Avenue. All were previously with United Funds Management Corp.

(Special to The Financial Chronicle)
MILWAUKEE, WIS.—John D. Westra is now with W. M. Culp, 208 East Wisconsin Avenue.

(Special to The Financial Chronicle)
PORTLAND, MAINE—Henry C. English has become associated with F. L. Putnam & Co., Inc., 97 Exchange Street. Mr. English was previously an officer of the Citizens Gas Co. of Calais, Maine.

(Special to The Financial Chronicle)
PORTLAND, MAINE—Richard P. Knight has rejoined the staff of Harry A. Rounds Co., 184 Middle Street.

testifying before the Senate Military Affairs Committee, said he favored solving the man-power problem on a voluntary basis but if that failed he would favor compulsion. Associated Press accounts from Washington on Nov. 5, reporting Admiral Land's views, added:

"Otherwise both Admiral Land and another witness, Claude R. Wickard, Secretary of Agriculture, were non-committal on proposed national service legislation.

"Both agreed merely that, as Admiral Land put it, 'we haven't too much time to make up our minds.'

"Mr. Wickard said he was not sure he understood pending manpower bills thoroughly enough to pronounce on them, except that they would give broad powers to the President. Admiral Land said he thought he lacked 'enough knowledge to make a definite recommendation.'

"Asked by Senator Lester Hill, Democrat of Alabama, author of one man-power bill, if he thought the problem could be worked out satisfactorily on a voluntary basis, Admiral Land said: 'I am an optimist and I hope so, although I have some doubts.'

"Senator W. Lee O'Daniel, Democrat, of Texas, meanwhile, introduced a bill in the Senate to suspend the 40-hour week law for the duration of the war 'to utilize our full man power.' On this proposal, too, Secretary Wickard declined to take a stand, except that the working of men longer in the war industries might be worthy of study as a possible means of stopping the drain of labor from the farms.

"Senator O'Daniel said his bill was the same proposal which was defeated on Oct. 24, when he endeavored to tie it onto the teenage draft bill. He said he did not know 'whether this Congress is yet ready to enact this type of legislation,' but thought something like it 'will finally be enacted or even more serious consequences will result than happened last Tuesday' in the Congressional election.

"Secretary Wickard told the Military Committee that 'skilled, managerial help' on the farms should be deferred from the draft. He suggested, too, that Congress take steps so that war plants with government contracts 'shall not

hire these people.' "Already agriculture has lost 1,600,000 men and women, 60% of them to war industries, the rest to the armed forces, Mr. Wickard said."

Hansons Restrained On Stock Market Utterances

A decree of consent, entered into by all parties, terminated New York State's action against Arnold R. Hanson and S. Welmer Hanson of the over-the-counter firm of Hanson & Hanson, and John W. Hession, a former employee of the organization. The State's action had grown out of swift changes in the price of the Wisconsin Central Railway Superior and Duluth division and terminal bonds, which rose from 11½ in February to a high of 35 in June, then breaking on official denial by Canadian Pacific Railway, the parent company, of rumors which had been circulated in the interim.

Under the decree, the Hansons and Hession are permanently enjoined and restrained from public issuance or utterance of any misleading statements or representations regarding any stocks or bonds or other securities in order to promote public sale of such issues. They are also restrained from representing to the general public that they possess any exclusive information regarding securities which may be offered for sale to the public in New York State, except such information as they may have or obtain as the result of investigation and proper research.

Before filing of the consent decree, New York State had been seeking to enjoin the defendants permanently from dealing in securities in the State. Mr. Hession was also charged with violation of the general business law in refusing to reveal to the Attorney General's Office the source of his information on the bonds which had caused the price rise.

New York Stock Exchange Weekly Firm Changes

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

Wesley G. Tomlinson retired from partnership in Moore, Leonard & Lynch, as of Oct. 31.

Shall Personal Property Rights Be Abrogated By Bureaucratic Edict?

(Continued from first page)

above the legal age of 21 (JUST AS LONG AS HE HAS NOT BEEN GUILTY OF ACTUAL FALSIFICATION AND MISREPRESENTATION) that's his own business and he is protected in his right to keep and maintain any profits he has derived from such a transaction.

The Constitution does not say that this right applies to every one in the United States EXCEPT THOSE WHO ARE ENGAGED IN THE BUSINESS OF BUYING AND SELLING SECURITIES, AS PRINCIPALS FOR THEIR OWN ACCOUNT AND RISK. The Constitution does not provide that any Governmental bureau should be empowered to abrogate this sacred right which is guaranteed TO ALL CITIZENS ALIKE.

We do not condone excessive profits in the securities business or in any other field of endeavor. No one who has had any experience in any kind of competitive and legally conducted enterprise would ever approve of abnormal profits which are entirely unrelated to value. In addition to the questionable morality of such procedure, the natural competitive forces which are always at work will tend to keep those who persist in this practice from ever achieving a substantial degree of success in any line of enterprise. **THE FAKIR ALWAYS CUTS HIS OWN THROAT IN THE END.** The annals of American business history attest to the truth of this fact.

At the present time the SEC has submitted a brief as a "friend of the court" in the matter of Helene Hallgarten against Stewart J. Lee Co. of New York. The plaintiff in this cause is represented by Moss, Marcus, Chaitkin & Gardener; the defendant by Abraham M. Metz. The SEC's brief was filed by Louis Loss of the Solicitor General's office. It is not our place to take up any of the details of any litigation regarding the pros and cons involved—nor to try any suit in these pages. However, we cannot refrain from pointing out that the SEC in its brief stated the following:

"The dealer's omission to disclose the spread between the market price and sale price WHEN THAT SPREAD IS UNREASONABLE renders misleading and fraudulent the representation, implied from his holding himself out as a dealer in securities, that he will deal fairly with his customers and charge prices bearing some reasonable relationship to the prevailing market."

The point we wish to make is that NO FRAUD, NO MISDEMEANOR, NO FELONY, NO MISREPRESENTATION, HAS BEEN COMMITTED BECAUSE THIS DEALER OR ANY OTHER DEALER HAS MADE ANY AMOUNT OF PROFIT — LARGE, SMALL, MEDIUM, OR WHAT CERTAIN INDIVIDUALS WITH THE SEC MIGHT CALL UNREASONABLE. If this dealer had been in the business of buying and selling eye-glasses, roller coasters, jewelry or any other kind of property, no bureau or commission would think of stepping into a controversy of any kind between seller or buyer, and by such an act, attempt to establish THAT PROFIT IN AND OF ITSELF CONSTITUTES FRAUD.

The securities business is no different from any other business. This attempt to regulate profit margins by contending that one who sells securities is acting in a fiduciary capacity is merely an excuse to abrogate personal property rights, and an assumption that is based upon the unrealistic attitude that he who sells a stock or a bond is in a position legally different from that of him who sells anything else. If a ceiling is to be put on profits made by dealers selling securities then one should be placed over everything sold by anyone from doctors' fees to clothing, shoe laces and what have you. **ESTABLISH BUREAUS TO REGULATE THE AMOUNT OF PROFIT MADE ON EVERY THING THAT IS BOUGHT AND SOLD ANYWHERE IN AMERICA. GIVE THESE BUREAUS POWER TO DETERMINE HOW MUCH IS REASONABLE. PROSECUTE THOSE WHO DON'T COMPLY. BUT BEFORE THIS IS DONE ALLOW THE PEOPLE TO VOTE ON THE SCHEME. PASS A CONSTITUTIONAL AMENDMENT REPEALING PROPERTY RIGHTS AND PUT THE NEW WAY OF LIFE INTO THE CONSTITUTION. THEN WE'LL ALL LIVE UP TO IT— BUT WE WON'T HAVE A FREE AMERICA ANYMORE.**

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RAILROAD SECURITIES

It is difficult by any appraisal of the situation to justify the present price spread of 10 points between the Atlantic Coast Line 1st Consolidated 4s, 1952 and the Coast Line Louisville & Nashville Collateral 4s maturing in the same year. A switch into the latter, which is selling at the lower price, is being recommended, not only because of the greater price enhancement potentialities, but, also, because there can certainly not be any assurance that the 1st Consolidated 4s would fare better, if as well, as the Collateral 4s.

If the company is going to continue on its debt retirement program there is reason to believe that at least a fair proportion of any open market buying would be applied to the Collateral 4s. There would be a more substantial interest saving on each dollar so spent, and part of any funds used for open market purchases would be represented by excess income from the collateral directly pledged. On a \$7 dividend from Louisville & Nashville the pledged stock yields annual income of \$4,176,900, or \$2,776,900 more than the annual interest requirement on the bonds.

The Atlantic Coast Line Louisville & Nashville Collateral 4s are outstanding in the amount of only \$35,000,000 and are secured by pledge of 596,700 shares of Louisville & Nashville stock, constituting 51% of the total amount outstanding. A dividend of less than \$2.50 a share is necessary on this stock to support the bonds. Only twice since the start of the century has the subsidiary's dividend been below that figure. Moreover, the basic position of Louisville & Nashville has been improved materially and consistently in recent years. For one thing annual fixed charges have been reduced through debt retirements and lower coupon refundings. On the basis of its present charges Louisville & Nashville would have earned enough on its stock to support the collateral bonds in every year of the depression with the exception of 1932.

Secondly, Louisville & Nashville is in a particularly strong traffic position for the post-war years. It carries a large volume of bituminous coal which will not be vulnerable to possible heavy highway competition. Industrial development of the South has opened up new traffic sources and has also expanded the potential market for the company's coal. Certainly it may be taken for granted that Atlantic Coast Line will bend every effort to avoid the possibility of jeopardizing its equity in this profitable and important subsidiary.

That Coast Line will be able to make rapid strides towards debt reduction appears obvious from the fact that earnings are running in the neighborhood of \$18,000,000 to \$20,000,000 this year. Now that the 5s, 1945, have been called for redemption the company has no other maturities prior to 1952 except a few small non-callable liens which would hardly be suitable for open market purchase operations.

The sanctity of the 1st Consolidated 4s can not be taken for granted in the event that Coast Line should eventually be forced to go through reorganization. It is

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true that the bonds are secured by first lien on 2,783 miles of line and by second lien on an additional 1,139 miles subject only to \$7,970,000 of divisionals. This constitutes the bulk of the owned lines. This relatively favorable lien position is not sufficient to warrant assurance that the bonds would remain undisturbed, however, when considered in the light of the company's entire debt position.

The 1st Consolidated 4s are outstanding in the amount of \$50,863,000 while there are only \$34,479,000 junior claims (excluding the L. & N. Collateral 4s) outstanding against the property. This junior debt does not afford an adequate cushion to protect the senior debt in the event of reorganization. Interest on the 1st Consolidated 4s and the divisional liens amounts to \$2,357,000. Income from the properties in three of the past ten years would have

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been insufficient to cover this senior interest.

On the basis of past experience the 1st Consolidated 4s appear in a weaker position than the bonds secured on the Louisville & Nashville stock. Moreover, the Atlantic Coast Line railroad properties do not have as well defined post-war prospects as the Louisville & Nashville properties. The parent company is more vulnerable than its subsidiary to possible renewal of severe non-rail competition. Earning power behind the Collateral 4s may be even more strikingly superior to that of the 1st Consolidated 4s in future years than it has been in the past.

Flour Issue Looks Good

The 4% convertible income sinking fund notes of Flour Mills of America, Inc., offer interesting possibilities, according to a memorandum issued by Buckley Brothers, 1529 Walnut Street, Philadelphia, Pa., members of the Philadelphia Stock Exchange. Copies of the memorandum discussing the situation in some detail may be had from the firm upon request.

Beer To Admit Stockdale

William V. Stockdale will become a partner in Beer & Co., members of the New York Stock Exchange and other leading exchanges, effective Nov. 12. Mr. Beer will act as alternate on the floor of the Exchange for Christopher K. Coates and will make his headquarters in the firm's New York City office, 61 Broadway.

Minsch, Monell Co. To Be A Partnership

Minsch, Monell & Co., Inc., 115 Broadway, New York City, has changed its status from a corporation to a partnership and the firm name will be Minsch, Monell & Co. Partners of the firm will be William J. Minsch, G. Leonhard Boveroux and Harold S. Smith. The personnel of the firm will remain substantially unchanged.

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—44; low—14¼; Nov. 10 price—41.

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Bank and Insurance Stocks

This Week — Insurance Stocks

Business executives of the nation should have, and probably did, breathe a collective sigh of relief when the Revenue Bill of 1942 was finally enacted into law. Perhaps they feel very much like the old ducky who was convicted of horse-stealing and was overjoyed to receive a sentence of 50 years instead of "life." In any event, considering some of the proposals that were made along the way (and of which the original Treasury plan removes the danger of insolvency from many companies in which they have invested. As a matter of fact, the health and prosperity of all major industries are important to the insurance business. Its income and assets necessarily represent a cross-section of all business although, fortunately, it is not dependent on any single one. Most fire and casualty companies today are more widely diversified than ever before in their history.

Insurance companies, in particular, again got off quite easy. In fact, they could not have fared much better if the bill had been drafted by the industry itself with an eye to its own individual advantage. Curiously enough, most of the eleventh-hour modifications of any importance served to lighten the tax burden for insurance companies very materially—at least in comparison with the various drafts that had previously seemed likely of enactment.

It so happens that the insurance industry has always fared unusually well from the standpoint of taxes. This has not been a species of favoritism but entirely fortuitous because it is governed by the same tax laws as apply to other corporations. However, the dual nature of its business has softened the impact of many types of taxes while the accounting methods peculiar to the insurance business have further served to ease the burden for them. It is well, perhaps, that this has been so because an insurance company is essentially a custodian of other people's money and is entitled to every encouragement in the battle to maintain a strong, healthy position. Fortunately, the insurance business has always received such encouragement, both from State and Federal authorities.

The primary obligation of an insurance company is to its policyholders rather than to stockholders but, in serving the interests of the former, the latter have also been protected and benefited. Both groups are vitally interested in the tax situation as it applies to the insurance business. New corporate taxes are doubly important to an insurance company because (1) it pays direct taxes on its own income, (2) it owns securities of many other companies which, in turn, are also subject to taxation. Thus the lighter burden of direct taxation which insurance companies have enjoyed may be regarded as suitable compensation for the double or indirect taxation which they, as investors, must automatically incur.

The easement in certain features of the 1942 Tax Bill was, therefore, most gratifying to insurance executives not only because it will permit them to discharge their own tax obligations without difficulty but because it

removes the danger of insolvency from many companies in which they have invested. As a matter of fact, the health and prosperity of all major industries are important to the insurance business. Its income and assets necessarily represent a cross-section of all business although, fortunately, it is not dependent on any single one. Most fire and casualty companies today are more widely diversified than ever before in their history.

Back in the 'Twenties, the investment field was not as broad as it now is and many insurance companies had 20% or more of their funds in railroad bonds and stocks.

Consequently their depression problems were greatly aggravated by the deterioration in these securities. It is a tribute to the flexibility and vitality of the insurance industry that a catastrophe of this kind could be taken in stride and the losses absorbed in a few short years. Of course, some of the "dead horses" still remain and, surprisingly enough, have come to life again. The revival of the railroad business, therefore, means a considerably larger windfall of salvage for many than ever seemed likely.

The change in the capital gains law and the relief provisions available to companies in debt, not to mention the credit allowance on public utility preferreds, are all important to insurance companies. These features will permit them to adjust and strengthen their assets without serious handicap or penalty and many of their holdings, which looked well nigh hopeless a few weeks back, can now be "bailed out" or retained according to whatever course the judgment of their respective finance committees dictate.

As far as direct taxes are concerned, most fire insurance companies will probably pay out less for 1942 than for 1941. This is due to the fact that normal and surtax rates apply mainly to underwriting profits—and there won't be any this year because of the ocean marine losses last spring. In cases where underwriting was not affected by the ocean marine business, larger premium writings may result in a statutory underwriting "loss" so that either way, there will be little to tax. Obviously, in view of this situation, there will be no liability for excess profits taxes.

The casualty companies, according to present indications, will have a favorable underwriting balance which will be subject to all taxes. The first six months were extremely profitable but rate reductions on Automobile lines and the increase in industrial ac-

idents may cut the over-all profit margin for the year to a level below 1941.

The "solid" earnings, from investment income, for both fire and casualty companies will be largely tax-exempt. Dividends received on holdings of both preferred and common stocks will be almost clear of tax. Other investments consist largely of tax-exempt Government and Municipal Bonds, on the one hand, and taxable bonds on the other. Inasmuch as operating expenses may be charged against taxable income, it is safe to say that the tax-exempts of most companies will be free from the normal tax and, to some extent, from the surtax.

All in all, the insurance companies have very little to worry about in the new Tax Bill except in respect to the work necessary to prepare their reports. That, at least, they have in common with all the less favored and less gifted corporations of the land.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 1703)
this time is dangerous. There is however, one qualification.

In my previous two columns I advised that the market showed indications of reacting to 110 (Dow averages) or slightly beneath that figure. With the most recent rally this reaction range must now be discarded. I now believe sufficient support will appear at about 113 or a level equal to the lows made during the week of Oct. 24. Once this level is approximated I think the market will settle back into dullness with the range swinging from about 112 on the downside to about 114 on the upside. It is during this anticipated dullness that I shall try to choose stocks to recommend to you. In the meanwhile there is no change in the position taken here.

Such stocks as you still hold (half positions) are comfortably above their stop levels. As long they stay above them they can be held.

Your positions, or rather half positions, remain as follows:

Air Reduction at 30 with a stop at 35. Allis Chalmers 23 with a stop at 24½. And International Harvester at 43 with a stop at 49. I might point out that while I don't advise new purchases at present levels the effect of dynamic news can change the outlook overnight. Should our forces, for example, engage Rommel's army before next week's column is written the market picture can change from one of dullness to one of rapid advance.

T. D. & Co., St. Louis, Mo. You speculate but you speculate in the wrong stocks. Issues selling for say \$2 or \$3 seldom have real moves. Pittston for example was recommended here at under 2. It was followed by advice to sell at 2¾ or better. I see you

DIVIDEND NOTICES



COLUMBIAN CARBON COMPANY

The Directors of Columbian Carbon Company have declared a year end dividend of \$1.25 per share, payable December 10, 1942, to stockholders of record November 20, 1942, at 3 P. M.

GEORGE L. BUBB
Treasurer

THE BUCKEYE PIPE LINE COMPANY

26 Broadway
New York, October 24, 1942.

A dividend of One (\$1.00) Dollar per share has been declared on the Capital Stock of this Company, payable December 15, 1942 to stockholders of record at the close of business November 20, 1942.

J. R. FAST, Secretary.

Spencer Kellogg & Sons, Inc.

A quarterly dividend of \$0.40 per share has been declared on the stock, payable December 10, 1942, to Stockholders of record as of the close of business December 21, 1942.

JAMES L. WICKSTEAD, Treasurer

NORTHERN PIPE LINE COMPANY

26 Broadway
New York, October 28, 1942.

A dividend of Thirty (30) Cents per share has been declared on the Capital Stock (\$10.00 par value) of this Company, payable December 1, 1942 to stockholders of record at the close of business November 13, 1942.

J. R. FAST, Secretary.



The current quarterly dividend of \$1.25 per share on \$5 Dividend Preferred Stock and a dividend of 10 cents per share on Common Stock have been declared, payable December 23, 1942 to respective holders of record November 30, 1942.

THE UNITED GAS IMPROVEMENT CO.
I. W. MORRIS, Treasurer
October 27, 1942 Philadelphia, Pa.

still hold it. Suggest getting out on next rally to say 2½. Armour is fair but such a slow mover that to tie up funds in it seems unwise. Sorry, I have no opinion on Colorado Southern 4¼s. The best you can expect in Bliss is a rally to say 14. But I would not hold stock below 10.

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 at those of the author only.]

Chgo. Analysts Elect

Evan V. Shierling of Moody's Investors Service has been elected President and William E. Stiegelmeier of the Northern Trust Co. of Chicago Vice-President of the Investment Analysts Club of Chicago, it was announced on Nov. 9. New Governors announced are: George I. Daniels of the City National Bank & Trust Co., Chicago, Arthur J. O'Hara of the Northern Trust Co., and Corliss D. Anderson of the University of Chicago. Erwin W. Boehmler, Dean of the School of Commerce of the Central Y. M. C. A. College, has been appointed Chairman of the club's Education Committee; Douglas Hayes of Woodruff, Hayes & Co., Chairman of the Arrangements Committee; and Lyle F. Eikelbarn of the Continental Illinois National Bank & Trust Co., Chairman of the Membership Committee. At the club's first

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TOTAL ASSETS
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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 ----- 6,150,000
Reserve Liability of Prop. 8,780,000
£23,710,000

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

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Head Office: George Street, SYDNEY

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12), Harry E. Snyder, CPA, and Professor of Accounting at Loyola University, will speak on the effects of the 1942 Revenue Act on corporation earnings.

Cgo. Men In Armed Forces

Herbert J. Burt has received a commission of Lieutenant, senior grade, in the United States Navy. He is at present going through a period of training and will be attached to the naval aviation forces. Lieutenant Burt has been a resident of Chicago for many years.

Russell G. Longmire received a commission as a First Lieutenant in the air service command of the United States Army. He received his training at Miami Beach, Fla., and is now stationed at Jackson, Tenn.

Major Harry W. Taylor has been in the armed services of the United States for approximately 15 months. He was a Captain in the First World War and was called into service before our involvement in the present hostilities. Major Taylor is at present on duty in Chicago and his home is in Oak Park.

All were associated with the Chicago investment firm of W. C. Gibson & Co.

The Securities Salesman's Corner

A PLAN TO BUILD UP YOUR BUSINESS

PART IV

Now we come to the most important step in this "plan to increase your business." From here on we will take up the job of selling these "situations" after we have found them.

It has been stated in this column many times in the past, that we believe in the efficacy of the sales technique that sells an "idea" rather than a "security." Years ago, in the lush markets of the Twenties, everyone was buying a share of stock in something. Back in those days most of us sold a "security." We selected a security, or our firm selected one for us, and we took it out and peddled it. People bought, and that was that. Of course, such a method of creating business will not work today. Yet there are some few salesmen in the securities business who are plugging along on this same old line. No doubt, many others who have followed along similar paths have found present day security selling unprofitable.

After all, we are not handing out a "tip," or a so-called sure thing. We have made studies, we have accomplished research. In this plan of selecting special situations for our clients we have done the necessary "spade work" beforehand; in order to justify our faith in the soundness of our recommendation. Such being the case, we certainly have something unusual to offer. We have an opportunity to present that is out of the ordinary. Here is a plan for future profit making, of which our clients can avail themselves, not once, but as a continuous operation, as many times in the future as we are enabled to bring situations before them.

So we go to our clients and we explain in simple language just how we propose to help them make some money. First step, tell them, where the security is unlisted, about the over-the-counter markets, by explaining that contrary to general conviction, some of the most exceptional investment opportunities, and biggest bargains, are not only on the exchanges but in this great national hook-up of dealers who trade thousands of securities daily from coast to coast. Tell them how some of the most astute investors make some of their biggest commitments—not on the stock exchange, but in certain outstanding situations that periodically come up in the over-the-counter markets. Use illustration by quoting actual cases. There are many of them. In the past year we have noted many profits of from 50 to 200%. These cases exist. Stop to think a minute—isn't this something to "crow about?" It's the truth. Then why not tell the story to the people who don't know about it? Back it up with facts—you can do it by quoting actual cases.

Second step—after you've opened up a new field of exploration for your client, and you've opened his eyes to something that he didn't know even existed; explain how you make research and studies of various companies. Not the details of statistical analysis, of course, but the high lights of how you "specialize in digging them out." Your research department, your trading department, your sources of information, your trips of inspection to actual companies themselves, your contacts with company officials and the important place of careful, accurate, analysis in making the final determination of whether or not a certain security is a "buy" and an "opportunity"—these are the things to talk about.

Step three, explain how your firm usually goes into these situations for its own account. Explain how the buying is done quietly, so as not to disturb the market. Tell how a certain limited group of your clients avail themselves of these special opportunities every time they come along, and that they all make their purchases at approximately the same time and around the same price levels. Step four, explain to your client that your firm can not only bring him the right securities at the right time, but in this method of operation, he will be advised when he should "sell." That you continually follow a security after he has bought it. Every client that is interested in this particular situation is carded in your files. All are treated alike. Selling is accomplished on the way up and in this way his funds are released for the accumulation of future situations when they arrive. If you wish, you might even bring out that some of the situations are so under valued in price that many times your firm has found it advisable to bring these specific cases to the attention of other investment firms after all of your clients have made their purchases. In this manner other firms have related the facts to their clients, and a continuing demand is thus created, at higher levels of the market, for the securities involved. There is nothing wrong or illegal about this. Sometimes a stock is so cheap, that at ten times the current price it's a bargain, at fifteen it's still cheap and at twenty it's attractive for income. The point is when you bring it to your clients at ten and you make it possible for them to sell it out at eighteen (and still don't hurt the other fellows' client who buys it at eighteen) you are doing a constructive merchandising operation—nothing less, and nothing more.

By this time your client should begin to get his eyes opened. He's hearing something that is different. Here is a fellow who is telling him, come join with us, we will not only help you invest right, but we are not going to leave you sit out there alone with your stock or your bond after you've bought it. You are with us. We are going to sell someday too. So are the rest of our clients, and we are going to tell you when to do it.

Then after you've done this in your own way and in your own words—the simpler and more direct the better—pull out your specific recommendation and sell it. If you've picked your prospect right, if he has funds, and if you've sold the "idea" of this whole plan, you'll get your order.

In conclusion, pick the right situations, be sincere in your efforts, don't try to be infallible—you can't. As you go along and build up your following that will buy these "special situations" from you, always tell them that they can't expect the impossible, that you might be wrong occasionally but that if you are, they shouldn't get hurt very much, that your general average is what counts, and that even if you are only right six out of ten times they will make money and, of course, they certainly can expect to do much better. Last of all call on the people who have substantial investments. They make the best customers, they save your time, they give you less headaches, and in the long run you will find that you can work this idea much better with ten or twenty fairly substantial buyers than a hundred small investors.

Our Reporter's Report

(Continued from first page)
Central Maine Power Company of the refinancing involved in the consolidation program which will yield one of the largest single integrated operating systems in New England.

The merger plan, approved by Securities and Exchange Commission, has now been placed before stockholders of the company and the Cumberland County Power & Light Company for their sanction. Once this operation is completed it would appear that the way would finally be opened for the marketing of the new securities involved.

Central Maine has on file with the Securities and Exchange Commission two issues of new securities including \$14,500,000 of new first mortgage bonds and \$5,000,000 of serial notes which will replace outstanding obligations in the program.

Treasury Money Rates

By this time Secretary of the Treasury Morgenthau doubtless knows quite definitely what he has in mind with regard to terms for the impending war financing.

He met, prior to the holiday in the markets, with his fiscal advisers, the member of the Executive Committee of the Federal Reserve System.

A month ago, it is understood, there was considerable debate when the Treasury Chief met with this group to decide on the details, including maturity and interest rates, of the bond and note issue which induced only a modest over-subscription.

Whether the results of that operation have tended to soften up Mr. Morgenthau in any degree will not be known until he announces the terms of the next issue, provided of course this does not involve a reopening of "tap bonds."

Reserve Credits

Member banks in the Second Federal Reserve District, reporting to the New York regional institution, evidently are moving to take advantage of the liberalized discount rates put in force on Government paper of short maturity.

Condition statements for the week ended Nov. 4, show that borrowings by New York City banks now stand at \$17,000,000, against \$13,000,000 a week earlier and a clean slate on the corresponding date a year ago.

Except for member banks in the Boston area, however, the other institutions in the system do not yet appear as borrowers. Such accommodation, it is expected, may register marked expansion coincident with the next Treasury financing which is designed for banking subscription.

As explained when discount rates were lowered, the purpose is to encourage borrowing by the banks and avert the need for any immediate general revision downward of reserve requirement rates.

Interesting Situations

In Municipal Field

Kaiser & Co. have just issued a circular containing study of the results of the first 12 months' operations of the Metropolitan Water District of Southern California, with a number of interesting tables of comparison. Also included is data on the Pennsylvania Turnpike Bond Amortization under the new Revenue Act, and a report on recent developments affecting the Carquinez Toll Bridge Revenue Bonds and Oxnard Harbor District. Copies of this interesting circular may be obtained from Kaiser & Co.'s New York office, 25 Broad St.

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"There are people in this country who will tell you that America has 'gone soft.' According to them, we have offered up our heritage to the idol of Easy Living for a mess of Governmental pap. Americans were hardy, they say, but we just can't take it any more.

"Speaking for a segment of Americana which we know rather intimately—its investment dealers—we can state categorically that these accusations are not true.

"Few, if indeed any, other groups of Americans have had to face such problems and discouragements as have confronted investment dealers during the past 12 years. Their markets steadily and progressively curtailed, themselves stigmatized with a large part of the blame for the worldwide depression which played havoc with their own business, investment dealers have had to be hardy to survive!

"Nor is the road ahead a particularly rosy one. The United Nations have yet to win the war and until that job is done there can be no business as usual. But out of the changes which the war is forging in this country, far-sighted investment dealers are beginning to see the creation of a new market—a bigger, broader, more important market than they have ever had before.

"This market will be among the millions of little people whose financial position is being vastly improved by what some have disdainfully referred to as the 'dirty shirt' prosperity of the war. This market will be different from the markets of the Twenties and selling in it will undoubtedly require greater effort. For the majority of prospects will have little or no knowledge of investments. They likely will have given little thought to the desirability of putting their money to work. They will possibly be more inclined to buy champagne than securities.

"But this vast potential market, we believe, affords the greatest challenge—and the greatest promise—to investment dealers in the years that lie ahead."—From the Nov. 4 issue of Lord, Abnett's "Abstracts."

Investment company managers have no doubt asked themselves the question with increasing frequency since Pearl Harbor: To what extent, if any, should we purchase United States Government bonds with company funds? Obviously, the answer will vary with the objective and requirements of the individual company. A sensible approach to this important problem, we believe, is that taken by Manhattan Bond Fund and announced in its November report to shareholders. We quote:

"The Fund has also purchased \$100,000 par value of United States Treasury Notes, Series 'B' 1½s, 1946, this purchase having been made with funds which otherwise would have constituted uninvested cash. Up to this time, it has not been the policy of the Fund to invest in Government bonds since it is believed that each stockholder has his own program for this very necessary pur-

pose. However, the Directors feel that the Fund may appropriately cooperate with the Government bond program to this extent without departing from its proper sphere of operations."

Investment Company Briefs

"The Chinese had a word for it," says the Keystone Corporation in the current issue of "Keynotes." In fact, judging from the bulletin, the Chinese had two words for it—they are duly printed at the top of the bulletin in characters which this insignificant person would judge to be indisputable Harvard Chinese.

"The characters," explains the bulletin, "are the Chinese for 'crisis.' In Chinese, the word crisis is derived from two characters—Danger and Opportunity." Taking this striking combination of meanings as its theme, the bulletin states:

"In the past, opportunity has often proved to be a companion of danger. Periods of crisis have brought with them, and by their very nature, periods of opportunity in other directions.

"Today, for example, many securities are selling at prices which offer generous returns—although earnings are better than at any time in recent years. By comparison with 1937, for example, earnings and returns are higher and prices are lower for most classes of securities. In the ageless wisdom of the Orient, there may prove to be a clue for the puzzled investor.

"Crisis? Yes! Danger? Undoubtedly! Opportunity? Opportunity in the past has often come at times of grave crisis."

A good example of this, we think, is the remarkable growth of Keystone Custodian Funds during the last ten months of crisis. In that time they have recorded a \$12,000,000 net gain in asset value and have now passed the \$40,000,000 mark!

The President of Commonwealth Investment Company, S. Waldo Coleman, reports that the company had net assets as of Sept. 30, 1942 equivalent to \$3.20 per share. This compares with asset values of \$3.01 on June 30, 1942 and \$3.55 on Sept. 30, 1941.

Calvin Bullock's "Bulletin" for Nov. 5 discusses the trend toward liberalization of state laws governing the investment of funds by institutions and trustees. A bill now before the Pennsylvania State Legislature is cited and the following quotations from an address by Albert W. Whittlesey in support of the bill and its objectives are given:

"There are four major objectives which would be attained through the adoption of the rule: (Continued on page 1707)

Municipal News & Notes

Last week's sale at competitive bidding by the Prudential Life Insurance Co., Newark, of its holdings of \$14,100,000 State of New Jersey 3½% highway improvement bonds to a syndicate headed by the Bankers Trust Co., of New York, served to dramatize the policy of partial liquidation of municipal holdings by insurance companies that has been in vogue for some time. Nor is it necessary to look afar in order to ascertain the reasons governing the purposes for such selling. Its impetus, reports emphasize, can be found in the fact that the companies are able to obtain a higher rate of return on the newer Treasury issues than that obtainable on their holdings of top-grade municipals. Mention is made of the fact, for example, that the Federal "tap" 2½s of 1962-1967—specifically designed for life insurance companies and other longer-term investors—are available at prices figuring a yield of almost 2½%.

By way of contrast, "blue chip" State and municipals in the same maturity range have been quoted to yield much less than 2%. The matter of tax-exemption on municipals is not of signal importance to the insurance companies, and the other institutions engaged in the switching operations, it is pointed out, in further explanation of what is described as representing a change in their investment policy.

This liquidation, it should be observed, has been carried out without occasioning any perceptible change in the municipal bond market. The price structure continues strong as was evidenced in the response to the re-offering of the New Jersey 3½s. The bankers offered the bonds, which mature from 1948 to 1966, at prices to yield from 1.10% to 2.10%.

As a matter of fact, these secondary distributions have been decidedly welcome to underwriters and dealers, having served to offset in large measure the general inactivity that has prevailed in the business for some time owing to the paucity of new municipal borrowings.

In disposing of the New Jersey bonds, incidentally, the Prudential Life Insurance Co. obtained a price of 122.789, which is elegant testimony of both the high quality of the securities and the excellent character of the municipal market in general. In addition, the seller obtained a handsome book profit in the operation.

It must be remembered too, that the tax-exempt feature on municipals is a valuable feature to a great number of investors, both large and small, who constitute the principal market for State and municipal offerings. Furthermore, with Federal taxes attaining the maximum possible peak, conservatively speaking, it is natural that this feature is additionally enhanced.

For this and other reasons, not the least of which is the strong investment characteristics of municipals generally, it is expected that any future selling by the life insurance companies or from other sources, will be absorbed by the market without causing any marked dislocation. This is predicated on the assumption, of course, that such selling will not assume unusual proportions and there apparently is no reason to believe that this will be the case.

In connection with the matter of tax-exemption, it should be added that as a result of last Tuesday's elections—which indicated in important degree voter realization of the need for conservatism in governmental

management—the forces behind the Federal administration's drive for elimination of the tax-exemption on municipals, was materially weakened. An outstanding example of this fact was the refusal of Michigan voters to continue in office Senator Prentiss Brown, who was the spearhead of the abortive attempts of the administration to achieve its objective.

IBA Files Protest With SEC Against Price Disclosure Rule

The Investment Bankers Association of America, through its President, Jay N. Whipple, who is also a partner of Bacon, Whipple & Co., Chicago, announced on Nov. 2 its complete opposition to the commission's proposed bid and asked price disclosure rule, X-15C1-10. The Association made public the text of a statement submitted to the SEC, outlining in great detail the reasons supporting its conclusion that the rule is against the public interest, impractical and unworkable.

The statement was presented in two parts—the proposed rule in its general application, and in its practical application to State and municipal securities. The first phase of the report was covered in great detail in the "Chronicle" of Nov. 5. The second part, pertaining to the municipal field, appears in full text in today's paper.

For this reason, we shall only give in this column that part of the statement in which the IBA summarizes the reasons for its opposition to the rule as applied to municipal securities. This text follows:

1. It is believed that in the foregoing statement enough of the effects of the proposed rule have been shown to demonstrate that should it be adopted it would be injurious to:

a. The States and their governmental units which means public interest as a whole;

b. Investors—large and small;

c. The industry engaged in purchasing and marketing municipal securities and otherwise serving municipalities and investors.

2. In addition it has been shown that the proposed rule is unworkable and could not in practice be complied with. It would subject dealers to contingent liabilities, claims of rescission and burdensome additional operating costs which many dealers could not absorb or afford to risk. Such dealers would obviously be forced out of business.

3. Further, the proposed rule is clearly discriminatory as to "exempted securities" as defined in paragraph (a) (12) of Section 3 of the Law. Very properly, care has been exercised in the preparation of the rule to protect from its effects the markets for the securities of the Federal Government, its instrumentalities and agencies, yet by the application of the rule there would be instituted regulations which would detrimentally regulate and seriously impair the marketing facilities for the securities of the States, their subdivisions, instrumentalities and agencies, thereby adversely affecting the facilities of these units of our Government to finance their governmental functions.

4. In conclusion we reiterate that, in our opinion, the rule would be in violation of the intent and purpose of Congress in its enactment of the Securities Exchange Law as originally written and as subsequently amended.

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Relatively Small Total Of Bonds Approved At Elections

Results of the local elections held Nov. 3 on proposals involving the creation of new bond issues indicated that voters generally were not disposed to deviate from their policy of recent years in refusing to assume additional tax burdens. As a matter of fact, it is apparent that this year the electorates were more than ordinarily tax conscious.

Outstanding examples of this fact were seen in the rejection of sizable bond issues proposed by the Cities of Baltimore, Md., and San Francisco, Calif. Voters in Baltimore rejected by a count of 3 to 1 a proposal calling for an issue of \$32,000,000 water bonds and, in San Francisco, the plan to issue \$7,950,000 revenue bonds to purchase properties of the Market Street Railway was defeated. The same fate was suffered by a large number of bond issues of much smaller scope proposed by other taxing units throughout the country.

Among the proposals approved was an amendment to the Texas constitution providing for a bond issue to liquidate the State's general fund deficit of more than \$30,000,000. A companion provision of the amendment, however, is designed to guard against a future deficiency as henceforth the legislature is constrained to limit appropriations to funds available or in sight. The voters of Texas, moreover, turned thumbs down on another measure calling for a \$2,000,000 building bond issue. The voters of Louisiana authorized a \$5,000,000 institutional bond issue.

As a general rule, however, the trend was decidedly in opposition to new loans, a circumstance, incidentally, of still another indication of a continuation of municipal bond borrowings on a sharply reduced scale.

Speedy Action Anticipated On Philadelphia Exch. Plan

The plan for refunding on a voluntary exchange basis of approximately \$163,000,000 of outstanding optional Philadelphia bonds is expected to be made effective at a relatively early date. The program, which was presented to the city on Oct. 22 by Drexel & Co., Philadelphia, and Lehman Bros., New York, was approved Nov. 5 by the finance committee and favorably reported to the City Council. The latter body is scheduled to take final action in the matter on Thursday, Nov. 12.

At a hearing before the finance committee previous to its approval of the program, Edward Hopkinson, Jr., senior partner of Drexel & Co., had urged prompt action on the plan. Mr. Hopkinson stated that city bonds could be refunded now at a favorable interest rate, owing to the present relatively high level of the municipal market. But, he cautioned, there can be no assurance that efforts of the Administration at Washington will not be renewed to subject future issues of municipal bonds to Federal income tax.

This circumstance, together with the steadily mounting borrowing by the Federal Government for the prosecution of the war, may affect present low interest rates, he stated.

The refunding plan provides for the exchange of certain of the city's outstanding bonds, optionally callable between 1944 and 1953 and bearing interest at rates from 4% to 5%, for new bonds carrying the same rate of interest to the present optional call dates and at 3¼% thereafter.

The plan was referred to in greater detail in these columns on Oct. 29, page 1541.

Detroit Reports Debt Reduction Of \$7,559,163

The City of Detroit, which is currently seeking bids to be received until Nov. 17 on an offering of \$4,258,000 sewage disposal system revenue refunding bonds, effected a reduction of \$7,559,163 in its net bonded debt in the period from July 1 to Sept. 30, the first quarter of its current fiscal year. This was shown in a recent report by Edwin C. Coughlin, Deputy City Controller, which gave the city's net bonded debt on Sept. 30 as \$313,030,163, as against \$320,589,327 on June 30 last.

Mr. Coughlin said accrued interest and unamortized premiums had not been recognized in arriving at those figures. He said that gross bonded indebtedness of the city on Sept. 30, exclusive of revenue, non-faith-and-credit bonds, was \$344,248,739. Against this total, there was \$31,218,575 in sinking and redemption funds, which brought the net total to the \$313,030,163 figure.

Mr. Coughlin's report showed that assets in the three divisions of the city sinking fund were larger than actuarial requirements, and that investments acquired for the account of the fund amounted to \$8,247,000 in the three-month period ending Sept. 30. On that date, the city had cash of \$31,562, \$7,180, and \$8,976 in the general city, street railway, and water divisions of the sinking fund, respectively. Investments totaled \$9,231,054 in the general city, \$7,162,000 in the street railway, and \$14,780,738 in the water division.

On June 30, the city had cash of \$850,873 and investments of \$3,679,055 in the general city division of the sinking fund, cash of \$139,261 and investments of \$6,808,000 in the street railway division, and cash of \$15,826 and investments of \$14,084,739 in the water division.

The surplus in the various divisions of the fund above actuarial requirements on June 30 amounted to \$3,956,450 in the general city, \$4,500 in the street railway, and \$1,831,878 in the water division.

Of the total investments in the sinking fund, \$25,236,739 consisted of City of Detroit obligations. In addition to the investments made for the fund, \$10,854,300 of City of Detroit bonds have been acquired for the accounts of the trust and retirement systems, bringing to \$36,091,039 the city's grand total of investments in its own obligations as of Sept. 30.

Mr. Coughlin said preliminary figures indicate that the city had an accumulated deficit of approximately \$5,000,000 on June 30. This amount, he said, was covered fully by deficit appropriations in the budget for the fiscal year 1942-43.

"The trend of revenues thus far in this period points to a completion of the current year's operations without current deficit, as well as elimination of the previously accumulated deficit," Mr. Coughlin added.

Insured Commercial Banks Reduce Municipal Holdings

The Division of Research and Statistics of the Federal Deposit

Insurance Corporation, in a report dated Oct. 15 last, revealed that insured commercial banks throughout the country held an aggregate of \$3,493,879,000 of State and Municipal bonds as of June 30, 1942. This represented a reduction of \$57,402,000 from the comparable total of \$3,551,281,000 at June 30, 1941.

Economies Noted In Survey Of Local Govt. Operations

Local governments have been forced by the war to operate with greater efficiency as well as economy, according to a summary reported by the International City Managers' Association. Wartime problems involving priorities, and shortages in manpower, materials and equipment have stimulated this development.

Improvements in operating efficiency reported by cities covered by the study—30, representing all population groups—include such methods as installation of new accounting and budget control systems, central purchasing offices to effect economies in buying governmental supplies, refinancing bonds at lower interest rates and retiring municipal debts to save interest costs.

More efficient operation of municipal motor vehicle equipment was reported by several cities, including installation of records systems to save on maintenance, gas and oil consumption and repair costs; servicing of equipment at night to keep it in use and save man-hours; requiring that city-owned cars be housed in the city garage at night and restricting use of the cars during the day.

Cities also, on basis of the Association's survey, are installing modern equipment where available to get more work done with fewer employees, and are operating refuse collection trucks in pairs so helpers will be busy loading trucks instead of riding to and from city dumps part of the time.

Methods of local governmental economizing, the study showed, include reducing amount of travel on official business, stricter control over sick leaves, repairing of motor equipment by the city instead of high-charging private garages, eliminating bill collectors by collecting delinquent accounts by mail, using auxiliary police for part-time traffic work, closing swimming pools and discontinuing municipal celebrations, festivals and band concerts.

The war itself can be credited with causing many economies in operation of local governments, according to the study. Most cities are saving on street light costs because of dim-out regulations and war time with its extra hour of daylight. Relief costs have decreased in many cities because of increased employment, while costs of public improvements and equipment are reduced or eliminated because materials are unavailable or projects are non-essential. Reduced travel because of tire and gas rationing, and the 35 mile an hour speed limit, have made it possible for many cities to release police traffic personnel for other duties and to eliminate now non-essential traffic signals and reduce operation of others.

States And Local Units Study Exemption Questions

The decline in property-tax revenue accompanying wartime conditions is causing State and local governments in various parts of the country to consider revising tax-exemption privileges of churches, charitable and educational institutions on land they turn to business use, according to the National Association of Assessing Officers.

Action by Louisville, Ky., was cited by the Association as an example of the move to restore such property to taxpayer status. The Louisville city

assessor has put on the tax rolls \$4,000,000 worth of commercially used property owned by church, charitable and educational institutions, for tax billing next January.

Meanwhile the city attorney is preparing legal opinions relating to each of nine classifications into which the property is being placed. The city will attempt to show that it was not the intent of the constitution to provide for exemption of such property when it is used for strictly commercial purposes.

If the taxation is permitted, the city will receive \$96,000. The largest parcel of property now exempt is a church-owned building used as a bus terminal and garage, assessed at \$700,000.

In Washington, D. C., where district commissioners declared many institutions of this kind taxable during the past year, Congress now is considering a bill which would define exactly the exempt properties. Church property, for example, would include buildings "primarily and regularly used by its congregation for public religious worship," along with pastoral residences. Buildings belonging to and operated by schools and other educational institutions, to be tax-exempt, must not only be organized on a non-profit basis, but must "embrace the generally recognized relationship of teacher and student."

All 48 States grant some type of property tax-exemption to religious, educational and charitable institutions, the Association pointed out, though most State laws simply designate the exempt property and relieve the owner and the assessor of any responsibility for taking positive action.

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.)

November 17

\$2,274,000 Cincinnati, Ohio.

Offering consists of 50 individual issues of bonds held in the city's sinking funds.

\$4,258,000 Detroit, Mich.

Previous bond offering on July 14, issue sold to syndicate managed by First National Bank of New York, Halsey, Stuart & Co., Inc., and Lazard Freres & Co. Runner-up in the bidding was the Bankers Trust Co. of New York group.

November 23

\$2,500,000 Chicago Sanitary District, Ill.

In November, 1941, award was made to Northern Trust Co. of Chicago, and associates. A group formed by John Nuveen & Co., Chicago, was second high bidder.

State Insurance Taxes Penalize Policyholders

The thrift of all insurance policyholders who would seek to provide for their own security is being increasingly penalized by invisible special premium taxes, licenses and fees levied by the 48 States, the Insurance Department of the Chamber of Commerce of the United States reported on Nov. 5. According to the Chamber a survey by the Department discloses that special insurance taxes amounted to more than \$113,000,000 for the year 1940. This amount is 7% more than for the previous year and 100% greater than were similar collections in 1922 when the National Chamber first

analyzed these taxes. The Chamber's Department says:

"These special insurance taxes constitute a heavy burden on insurance premiums and directly concern the nation's 66,000,000 life insurance policyholders, as well as those who use fire, casualty and marine insurance for the protection of property, personal injury or liability. It is further pointed out that these special taxes do not include levies made by counties and municipalities in many States, nor do they include Federal-State income taxes and

the various other taxes which insurance bears in common with other business.

"The special insurance taxes are paid by the insurance companies and members of the insurance industry, but they are eventually reflected in premium rates and therefore are paid by the 'consumer' who is the policyholder.

"The thrifty individual who utilizes insurance to protect himself, his family and his property, therefore, bears this extra tax burden in addition to that which

he bears in common with non-policyholders. Inasmuch as about 95% of the taxes collected by the States are used for purposes other than supervisory service to companies and policyholders, it is obvious that these special insurance taxes are discriminatory as between the insured and non-insured.

"Now when all of our people must support the war program with an enormous volume of direct taxes, it is particularly incumbent upon policyholders, not alone to prevent further increases

in, but to take action to bring about reductions of, this burden of special and hidden insurance taxes."

Resigns As Curb Governor

Jess W. Sweetser, a class "B" Governor of the New York Curb Exchange since Feb. 13, 1940, tendered his resignation at a meeting of the Board of Governors on Nov. 4. Mr. Sweetser's resignation was necessitated by his increased activity in the war effort.

Is Your Business Vulnerable?

A Stock Retirement Plan financed by life insurance will assure the smooth passage of your business through the emergency resulting from the death of a stockholder.

Under this plan, the lives of stockholders are insured for the value of their respective holdings. Each agrees that in the event of his death, his stock will be transferred to the surviving stockholders, and his heirs will receive the proceeds of the insurance.

Thus the family of the deceased stockholder is fairly compensated. The survivors, whose interests in the business are increased in proportion to their present holdings, can continue without embarrassment.

A simple arrangement, isn't it? Yet what misfortunes have come from its neglect.

We suggest that you, as a stockholder, give serious thought to a Stock Retirement Plan for your own business enterprise. It goes hand in hand with efficient management.

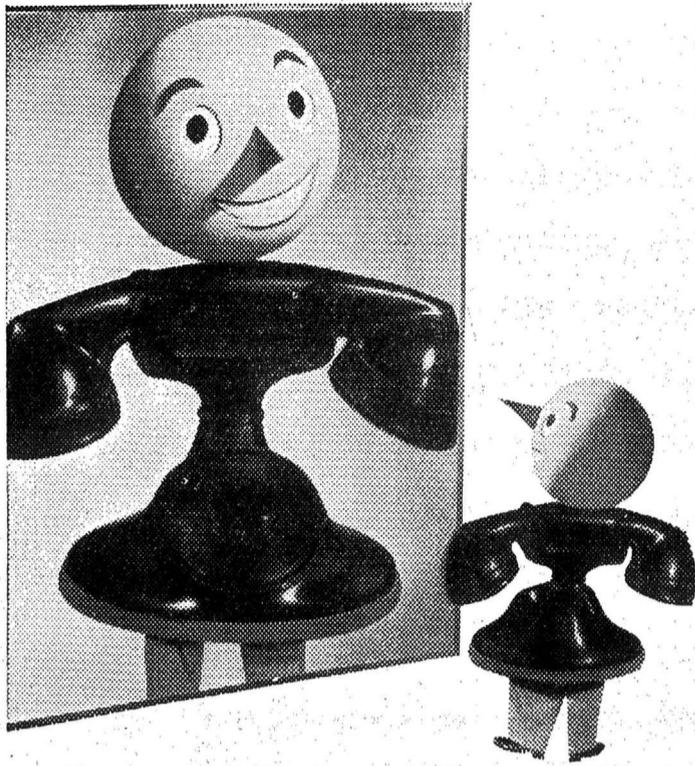
A Massachusetts Mutual representative will be glad to give you full information.

Massachusetts Mutual
LIFE INSURANCE COMPANY

Organized 1851

SPRINGFIELD, MASSACHUSETTS

Bertrand J. Perry, President



"If I were twice as big"

"Then I could give the public all the service it wants and take care of the war on top of that."

"But I can't get bigger now because materials are needed for shooting. So I'm asking your help to make the most of what we have."

"Please don't make Long Distance calls to centers of war activity unless they are vital. Leave the wires clear for war traffic."

BELL TELEPHONE SYSTEM



HOW DID WE GET THIS WAY?

(Continued from first page)

We play politics for years with unemployment and do nothing about the problem of the unemployable; neglecting also the fact that idle capital is just as unhealthy in our national economy as idle men.

We no longer refer to the poor but rather to the under-privileged, as though their condition was due to circumstances entirely beyond their control. Men are no longer considered essentially victims of their lack of capacity, their ignorance and bad habits, but rather the victims of exploitation.

We put the cart before the horse and formulate elaborate plans to raise wages, believing that high wages make prosperity instead of prosperity making high wages.

The term **capitalism** is being replaced by the word **management**, as though they were synonyms, and as though capitalism had an evil connotation or could be used as a pejorative. Capitalism is a rational as opposed to an emotional or mystic economic system; management, a function of judgment, is the highest form of labor, which is not restricted solely to the use of the muscle.

Our pioneer forefathers are no longer considered sturdy individuals who hewed an empire out of virgin forests and reclaimed sun-scorched prairies. They were, in the vernacular of the apostles of the new order, robber barons who despoiled the poor and ruined the land, leaving us a country without new frontiers, excepting those to be created by bureaucratic planners who believe that they can, Joshua-like, command the sun to stand still in the economic heavens. It is true that they wasted some resources but they created a Nation, something which our oratorical

reformers, so amply blessed with the gift of hindsight and gab, never did nor can do.

Our civilization is no longer regarded as a magnificent accomplishment; our genius and the progress we have made are not now matters of pride. To have been even moderately successful is a social crime; to have displayed any degree of foresight or acumen is a spiritual blemish; to have advanced even a slight degree beyond mediocrity is a sin against our fellow-man.

Our history is being re-written to prove that all that we have done has been done wrong; that the results have not been worth while; that our institutions must be destroyed because we have not as yet reached perfection. Theory is replacing fact and assertion taking the form of proof.

That a decade of political propaganda by men who have given no evidence of their own ability, except insofar as they realize that a social order must be discredited before it can be overturned, could have produced the present attitude of such a large portion of our solid citizenry seems to be due to six factors:

1. Failure to understand the real nature of man.
2. Failure to understand the laws of his development.
3. Failure to understand the fundamentals of economics and the meaning of history.
4. Failure to understand that a large proportion of the population of even the most civilized nations is not itself civilized; that it resists and resents the processes and responsibilities of civilization while it envies and endeavors to appropriate the rewards; that it is not only in revolt against the status quo but against progress. The accretions of culture have been more rapid than the erosion of barbarism. The existence of barbarians within has always made possible the overthrow of a high civilization by barbarians from without.

5. Failure to understand that all social organisms include the law of change but that progress depends upon change being in the right direction; that civilization is not a football game to be controlled by signals of an erratic quarterback and the exhortations of an amateur coaching staff; that only an extension of intelligence resulting in an increase in moral goodwill offers a solution of social problems.

6. Failure to realize that capital in its full sense is nothing more than labor accumulated through self-denial; that it is the only force by which a technological civilization can be maintained and carried on; that without such a civilization the population of the world could not be maintained; that capitalism, although used as a generic term of abuse by pseudo social philosophers, describes the only true synergistic system.

Colorado & Southern And The McLaughlin Act

(Continued from page 1699)

ing of first preferred, second preferred and common shares, are undisturbed under the plan. However, during the period of interest modification, net income remaining after payment of all charges must be utilized for the retirement of system debt or replenishment of working capital. Discretion as to the direction of the use of these earnings is vested in the RFC.

Ownership of 70.7% of all classes of Colorado & Southern stock lies in the Chicago, Burlington & Quincy, which operates and controls the company. While the plan does not immediately provide for any change in control of the Colorado & Southern, it does provide that holders of a majority of the refunding mortgage bonds and holders of a majority of the general mortgage bonds outstanding in the hands of the public may each demand the election of two representatives to the board of directors. Also, in the event that contingent interest is not paid on the refunding mortgage bonds, the RFC (so long as it holds a majority of these bonds outstanding), shall have the right to a majority of the board of directors.

What the Court Must Find

Section 725 of the McLaughlin amendment to the Bankruptcy Act requires the court to find that the plan will

"(a) Afford due recognition to the rights of each class of creditors and stockholders and fair consideration of each class ad-

versely affected and (b) will conform to the law of the land regarding the participation of the various classes of creditors and stockholders. . . ."

The question posed here is whether the terms of the plan come within the framework of the Act so as to permit the court to make such a finding. More specifically, do the interest modification provisions, in the absence of any real sacrifice by the equity holders, preclude the possibility of such a finding?

Problem of Interest Modification

Consider the matter of the reduction in interest on the general mortgage bonds and the non-cumulative feature of the contingent interest provisions.

In the Baltimore & Ohio readjustment under the predecessor Chandler Act, it may be recalled, two cuts in interest were effected. The rate on the RFC loan was changed from 5% to 4% and the coupon on the secured 4½% notes of 1939 was cut to 4% in conjunction with a maturity extension of five years.

In approving the B. & O. plan, the court declared that, inasmuch as the RFC had accepted the interest reduction on the road's note, it did not see fit to further discuss this point.² In the case of the secured notes, however, the court observed "that we are dealing here with an issue the principal of which has matured, and therefore somewhat different con-

siderations apply than in the case of future maturities."³

Note the differentiation by the court between matured and unmatured issues. By implication, the court appears to have entertained some doubt as to whether the reduction in the interest rate of an unmatured obligation would have satisfied the requirements of the Act that the B. & O. plan "conform to the law of the land."

In a later passage, discussing the reduction in fixed interest on certain junior securities, the court remarked that "there is no absolute reduction of interest on any of the affected issues (with exception of the five-year 4½% issue and the Reconstruction Finance Corporation loans which have been above mentioned), but only a postponement of the interest thereon made contingent⁴ until actually earned, or until maturity of the principal of the issues, if the contingent interest is not sooner paid."

Here we have an expression by the court which, while sanctioning a postponement of interest, would appear to disapprove an absolute reduction. In the Colorado & Southern plan, unearned contingent interest on the general mortgage bonds is waived through the use of a non-cumulative feature, and this is essentially an absolute reduction rather than a postponement.

Furthermore, recent discussion would appear to cast some doubt as to whether the interest reductions effected in the B. & O. case, even in the case of a matured issue, could now be judicially approved.

The Rule of Absolute Priorities

In testimony presented last August to the Senate subcommittee considering the McLaughlin amendment to the Bankruptcy Act, this very question was raised. One witness expressed his belief that, were the B. & O. plan now to be presented to the Supreme Court, the latter would hold it contrary to the *Consolidated Rock Products*⁵ case, because there was not sufficient compensation given by the stockholders.

Another witness, testifying before the House subcommittee on the same measure, also called attention to the rule of absolute priorities embodied in the line of Supreme Court decisions beginning with the *Boyd*⁴ case and going down to the *Los Angeles Lumber Products*⁵ and the *Consolidated Rock Products* cases. Any plan for the reorganization of a railroad or readjustment of its capital structure, it was pointed out, must adhere to the principle enunciated in these cases. In other words, if the interests of the creditors are affected adversely, and the stockholders retain their interest in the property, the latter must provide compensation to the bondholders for concessions which the bondholders make. Otherwise, it was concluded, the plan would not be legal.

A pertinent observation is also found in an article on "The Voluntary Adjustment of Railroad Obligations," by Hubert L. Will, which appeared in the summer, 1940, issue of "Law and Contemporary Problems," a publication of the Duke University School of Law. According to Mr. Will, "One other element which will affect the character of voluntary plans of which court approval is to be sought is the 'fair plan' doctrine familiarly known as the doctrine of the *Boyd* case, or, lately, the *Los Angeles Lumber Products* case. Since voluntary plans are not likely to involve any reduction of stock interests, the rule of absolute priorities enunciated by these cases will prohibit reductions in principal or interest

¹ Italics ours.

² 312 U. S. 510.

³ 228 U. S. 482.

⁴ 308 U. S. 106.

⁵ Italics ours.

⁶ 29 F. Supp. 608.

of secured claims without adequate compensation therefor . . ."

Compensation to Boldholders By Stockholders

In the Colorado & Southern plan, the general mortgage bondholders are asked to take a cut in interest and to permanently surrender their claim to that part of the contingent interest which may be unearned. Stockholders, on the other hand, are surrendering their rights to dividends, inasmuch as all excess earnings are to be applied to debt retirement and replenishment of working capital. However, this reinvestment of earnings in the carrier is not without benefit to the stockholders, since it improves their equity in the property. Of additional benefit to the stockholders, and involving similar sacrifice by the general mortgage bondholders, is the provision requiring satisfaction of the capital fund before contingent interest can be paid.

In view of these facts, is it accurate to state that the debtor is not securing benefits at the expense of its creditors? Does the surrender of dividend rights by the stockholders constitute sufficient compensation to the general mortgage bondholders? After all, the bondholders are making a real and actual sacrifice while the stockholders are merely surrendering a prospective right to dividends. In this connection, it may be noted that no share disbursements have been made since 1931.

It would seem as though the continued participation of the stockholders is being maintained while creditors are sacrificing some of their substantive rights. Accordingly, a good measure of doubt exists as to whether the plan conforms to the principle of absolute priorities which is the "law of the land."

As the Supreme Court expressed itself in *Louisville Trust Co. vs. Louisville, N. A. & C. Ry. Co.*, "cited with approval in the *Los Angeles Lumber Products and Consolidated Rock Products* cases, "any arrangement of the parties by which the subordinate rights and interests of stockholders are attempted to be secured at the expense of the prior rights of either class of creditors comes within judicial denunciation."

Under a strict interpretation of the McLaughlin Act, there appears to be adequate basis for questioning the legality of the Colorado & Southern Plan of Adjustment. Nevertheless, it is possible that the special three judge court may adopt a different attitude. It may view the legislation constructively rather than literally, and may feel that it was the intent of Congress, through the McLaughlin Act, to cure certain railroad problems, of which the Colorado & Southern is one. Such an attitude, coupled with expediency, might result in a favorable judicial decision. Supreme Court review, however, might be granted to some non-assenting general mortgage bondholder.

Finally, it may be observed that Section 721 of the McLaughlin Act gives the special three judge court the power to modify the plan. Modifications adopted by the court do not require resubmission to the Commission providing they do not substantially or adversely affect the interest of any class or classes of creditors.

* 174 U. S. 827.
* Italics ours.

Gordon Billard With Navy

J. R. Williston & Co., 115 Broadway, New York City, announce that Gordon Youngs Billard, partner in the firm has been commissioned a Lieutenant (senior grade), USNR, and has been ordered to report for active duty immediately. The firm has granted him a leave of absence and looks forward to the time when he will be able to resume an active interest once again.

UP-TOWN AFTER 3

MOVIES

Hollywood has produced many a war picture. Some were serious and good. Others intending to be funny often turned out to be nothing but models of bad taste. These so called comedies not only proved box office flops but, what may have proved more important, harmed the entire industry. A sense of humor is one thing but to poke fun at what too often is stark tragedy, is another. It wasn't until RKO released "Once Upon A Honeymoon" that a movie company came up with a story that knows not only when to be funny but also when to be serious. Its amusing situations are high comedy at its best. Its descriptions of the heart wringing sufferings of the non-Aryans who find themselves at the mercy of the Herrenvolk is handled with sympathetic understanding. The story involves Katie (Ginger Rogers), ex-burlesque stripper from Brooklyn, posing as a Philadelphia blue blood, who marries the Baron Von Luber (Walter Slezak), one of Hitler's "commercial travellers." American correspondent and radio reporter in Vienna, Pat O'Toole (Carey Grant), suspects the Baron of being what he is and tries to pump Katie. She, bored and disinterested, refuses to say anything. As Hitler enters Vienna, the couple leave for Prague with Pat in hot pursuit. Eventually the Baroness and the American become friends, particularly when they are both trapped in Poland by the German army. Kate leaves her husband, and joining Pat, heads for Paris. There are a lot of other complications and situations too involved to go into here. But where they don't pull at your heart strings they convulse you with laughter. The dialogue is fast, witty and always interesting. Leo McCarey, who produced and directed "Once Upon A Honeymoon," has done an outstanding job. That both Miss Rogers and Carey Grant give excellent performances is by now the expected. But one of the best jobs is turned in by Walter Slezak, a newcomer to the screen. His portrayal of a Nazi, who for once is not a jibbering idiot, but a ruthless, scheming, suave scoundrel, is first rate. The performances of Albert Dekker, Albert Basserman, Ferike Boros and others contribute to making "Once Upon A Honeymoon" one of the finest pictures of its kind.

"Seven Sweethearts" (MGM) is one of those fairy tales about a newspaperman with an unlimited expense account who meets such interesting people. In this case it's Van Heflin who gets the assignment to take pictures of the tulip festival in a Michigan town. He arrives to find all the inhabitants outside their doors piping on clarinets, oomping on bass horns or otherwise disporting themselves as part of their rehearsal for the festival. Heflin puts up at a hotel run by S. Z. Sakall and staffed by his seven charming daughters, among whom are Kathryn Grayson and Marsha Hunt. These girls have a problem. They're all in love and want to get married but can't until the eldest, Marsha, takes the dive first. So Heflin is elected. But he, with the wisdom of a Solomon picks the youngest, Kathryn Grayson. For a while it looks like nip and tuck but in the end both Van Heflin and Miss Grayson get together. It's a delightful piece of escapism which reminds you of ice cream sodas, sweet ones. One is nice, two won't be bad, but seven just gives you a bellyache.

AROUND THE TOWN

If you'd like something different, see "Conrad You Dastard," produced and acted by the youngsters who make up Leo Shull's "Genius, Inc." (109 W. 45th). If you approach this with a come-on-and-amuse-me attitude, better save your money (\$1.10—beer and pretzels on the house). But if you go there with a group prepared to hiss the villain, to cheer the hero and the heroine, not to mention singing between the acts, you'll enjoy yourself. . . .

The Pierre (Fifth Ave & 61st) has a new show featuring the daughter of one of Mexico's leading politicians. But tired of dancing girls I stayed on a bench in the lobby to see the real show—the people who come there. Incidentally, if you'd like to see what before the war used to be described as the Continental Set, disporting themselves, drop in at the Pierre. Almost every male I saw seemed to be suffering from unilateral astigmatism. Monocles evidently being the only cure. Greetings were not those casual affairs. No siree!! It was "My deah-deah countess, how chahming you look! And what a lovely gown! You must, you simply must, give me the name of your couturier. The Baroness de (apparently his wife—or something) would love to have it!" Of course, the whole thing is accompanied by a graceful lift of the lady's paw to the gentleman's lips. This delightful scene is repeated time and again so when a plain American comes into the place and sees it he is abashed. Under different surroundings he might laugh and hoot but not in the Pierre's Cotillion Room. It's very grandeur and the expanse of starched white shirt fronts, monocles, not to mention the sables and minks, scare him into speechlessness. Inside the room proper caste against comes to bedevil you. If you're one of the elect you are shown to a table on the main floor by the salaaming maitre d'hotel. If you're just folks you get a waiter who leads you to the balcony where you may sit and ponder on the quality below you who disport themselves like ladies and gentlemen. But don't think because you're in the balcony you won't pay as much. For when the bill comes around, brother, you'll find out different. Of course no opening at the Pierre would be complete without that demon keyhole looker-inner for the N. Y. "Daily News," Danton Walker. And there he was sitting with the Pierre's very own Ware Lynch, who aspires to the name of "Scoop." Yes sir! Life in a New York at war is just one merry round after another!

About Seaboard Air Line

The current situation in Seaboard Air Line Railway Company is considered in some detail in a new circular just issued by Van Tuyl & Abbe, 72 Wall Street, New York City, in view of the fact that the reorganization of the Railway will probably not be consummated as early as previously anticipated. Copies of the circular may be had from Van Tuyl & Abbe upon request.

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30 CENTRAL PARK SOUTH
Adjoining The Plaza

A most unique restaurant in a beautiful location, overlooking Central Park to the north.

Serving best food, skilfully prepared.

Entertainment after 11 P. M.

Telephone PLaza 3-6910

What Every Woman wants to know about a Man . . .

... that he chooses flowers for her, and Old Schenley, America's mildest bottled in bond, for his guests!



First in Quality
OLD SCHENLEY
America's Mildest
BOTTLED IN BOND

Milder!.. Older!.. Better!

Straight Bourbon Whiskey—100 Proof—This Whiskey is 6 Years Old. Stag-Finch Distillers Corporation, N. Y. C.

Investment Trusts

(Continued from page 1703)

"It would no longer be necessary periodically to remodel the law in order to keep abreast of rapid changes in the fields of industry and investment.

"It would be possible to obtain some measure of protection against ever-present hazards of inflation.

"Trustees would be in a position to obviate the threat of heavy depreciation in bond values through changes in interest rates by providing broader investment diversification.

"It would be possible to increase present low income returns in legal trusts so as partially to offset higher costs of living and higher taxes."

Selected American Shares are discussed in the latest issue of "Selections" in terms of estimated 1942 earnings and post-war refunds. The 20 common stocks in the portfolio which are included in the Standard & Poor's recent list of estimates are taken as a basis for comment.

"In the proportions which these stocks were owned by Selected on 9/30/42, the estimated over-all decline in earnings from 1941 to 1942 on these particular issues is only 19% (without including the post-war refunds).

"If the post-war refunds were included in 1942 estimated earnings, the over-all decline from 1941 to 1942 on these stocks (in the proportions actually owned 9/30/42) would be only slightly over 2%. However, the actual 1941 earnings are after special reserves in some instances, and the 1942 estimates are before such reserves.

"If the actual 1942 results correspond only roughly with these estimates, the earnings decline will be nowhere near as severe as some of the more pessimistic had predicted earlier in the year, and will still leave earning power of these issues at relatively satisfactory levels."

"Is it time to consider utility common stocks?" asks the Nov. 5 issue of National Securities & Research Corporation's "Investment Timing" service. Prices at recent lows are compared with the 1932 lows. Industrial stock prices at their recent lows were 125% above 1932; railroad stocks at their recent lows were 76% above; but utility stocks were 32% below 1932. Rate control, Federal competition, Government disfavor, war conditions and earnings are listed as reasons for this inferior behavior. The conclusion is that utilities are no longer at such an earnings disadvantage as compared with other classes of stocks and that greater consideration

should be given this field in seeking well-placed individual issues.

National Securities & Research has announced its annual turkey contest. All sales of National Securities Series and First Mutual Trust Fund will be taken into consideration in determining the awards. Salesmen who sell a minimum of \$2,000 between Nov. 1 and Dec. 31, 1942 are eligible for cash prizes computed at the rate of 1/4 of 1% on all orders received.

"To get the full benefit of a rising stock market while retaining the income protection of bonds," Distributors Group advises consideration of the Investing Company Shares of Group Securities. Points involved are elaborated in a four-page folder. The market action of the Shares this year is given as confirmation of their characteristics. Here is the record:

1. From the beginning of January to the low of April the Dow-Jones Industrials declined from 110.96 to 92.92, or 16.3%. Investing Company Shares declined from \$2.34 to \$2.02 or 13.7%.

2. From the low of April to Nov. 4, the Dow-Jones Industrials moved up to 114.56 or 23.3%. Investing Company Shares advanced to \$3.67 or 81.7%.

The current issue of "Brevits" comments on dividend reductions, taking for its authority recent figures of the New York Stock Exchange. During the first nine months of 1942 estimated dividend payments totaled \$1,341,422,000, as compared with \$1,470,124,000 in the corresponding period of last year. This represents a reduction of only 8.8% which, in view of the extreme fears of investors, is of modest proportions.

S. F. Reserve Bank Has New Directors

The Board of Governors of the Federal Reserve System announced on Oct. 28 the appointment of H. R. Wellman, Berkeley, Cal., as a Class C Director of the Federal Reserve Bank of San Francisco for the unexpired portion of the term ending Dec. 31, 1942. Mr. Wellman is a member of the faculty of the University of California where he is Director of the Giannini Foundation and Professor of Agricultural Economics.

The Governors of the Reserve System also announced on Oct. 30 the appointment of William H. Steen, Milton, Ore., as a Director of the Portland Branch of the Federal Reserve Bank of San Francisco, for the unexpired portion of the term ending Dec. 31, 1942. Mr. Steen is the owner and operator of a wheat and livestock ranch.

Price Disclosure Rule Would Handicap Local Governments In Borrowing Operations, Says IBA

(Continued from First Page)

kets for municipal securities as a whole. In fact it is probable that in the instances of some municipalities the market for their securities would be almost entirely destroyed. Various practical operations in the purchase and distribution of municipal securities set forth later on in this statement will, we believe, serve to illustrate the effects.

Investors

Clearly, the above mentioned adverse market effects would bear directly upon investors. Any rule or regulation that would tend to restrict the marketability for securities would have direct and seriously detrimental results upon investors—individuals, banks, insurance companies, fraternal associations, pension and benefit funds, and all investing institutions—not only detracting from ready salability and market value, but also jeopardizing the position of securities held as collateral and their usefulness as security for obtaining future loans.

Public Interest

The above reflects public interest as well as that of investors. Additionally, from the standpoint of public interest the cost of original municipal financing would be increased, thus increasing the annual tax levy or other rates necessary to meet debt service. There are not only the burdens of the rule in the first instance upon original financing, but it will be recognized that any sustained impairment or injury to the secondary market has comparable bearing upon future original financing.

In instances of smaller municipalities whose marketing facilities would be most seriously impaired, the citizens of such municipalities would be unnecessarily handicapped in financing essential public improvements and facilities. Onerous restrictions would limit and in some cases largely inhibit constructive municipal progress.

Effect On The Industry

Inasmuch as dealers in municipal securities are the medium through which purchases and sales are made, and through whom the effects would focus, it is pertinent and practical to ascertain the effect that the application of the ruling would have upon such dealers.

We submit that a great many dealers would be forced out of the municipal business. They would be unable to risk the liabilities that would confront them and they could not meet the increased costs and other burdens resulting from attempts to comply with the rule. In the main this increased cost would have to be passed on to the issuing municipalities and the investors. Nevertheless, there still would remain risks of contingent liability, claims of rescission and other costs from which the municipal dealers could not escape.

Dealers located outside of the financial centers would encounter almost insurmountable difficulties. Yet, it is just such dealers throughout the country that carry on the purchase and sale of the issues of numerous small municipalities. Often the amounts are limited, ranging from \$10,000 to \$50,000. Deprived, however, of the customary dealer outlet, these municipalities would, as a rule, find it most difficult to market their issues. To the people of these small municipalities, the disposition of their securities is as important and essential to them as is the disposition of the large issues of metropolitan areas to their citizens.

New Issues

We previously called attention to the fact that any sustained im-

price or prices which are the basis for determining the bid.

Impractical

The impracticability of complying with the proposed rule and the bedlam that would result in the distribution of substantial blocks of bonds may be observed in the following illustration. Consider for instance a new issue of 25 or 30 million dollars of New York City bonds with 30 maturities, two or three different interest rates and several different purposes. Most of the maturities would carry a different price, and additional price variances would likely be found among the different interest rates. Every sale to a customer would require a check by the dealer making the sale as to the required independent bid and asked prices.

With some 30 to 40 dealers in the underwriting group and other dealers in various parts of the country assisting in the distribution, and with hundreds of sales to customers, of varying maturities and rates, being made at intervals every day for several days or more, just what would be the result? The answer is obvious—just plain bedlam. The dealers when going through it could undoubtedly describe the effect in much more expressive language.

The comparatively recent offering of the City of San Antonio, Texas, Electric and Gas Revenue issue offers another illustration of the problem. There are \$33,950,000 of bonds in the issue, three different interest rates, 29 separate maturities and 19 different prices. In this issue there is also the factor of the right of redemption prior to maturity. The bonds are subject to redemption prior to maturity at the option of the city, on not less than 30 days' published notice, either in whole, or in part in inverse numerical order (as to bonds maturing in 1972, on any interest payment date, and as to bonds maturing in the years 1948 to 1971 inclusive, on Aug. 1, 1947, and on any interest payment date thereafter), at par and accrued interest to the date fixed for redemption, plus such premium not greater than 5% as will be equivalent to 1/4% for each year or fraction thereof intervening between the date fixed for redemption and the stated maturity date.

Other Distribution

The problems apparent in the above illustrations are not limited to new issues but would apply with corresponding force and effect to other transactions where dealers purchase from institutions or other investors, a sizable block or blocks of municipal bonds which the holder wishes to sell and the dealer must distribute.

Further Limitations in Distribution

A further narrowing effect would follow with respect to the scope and extent of distribution in the municipal market. Dealers working in their respective fields in placing bonds which are owned and being offered by others would be unable to contribute to this form of valuable distribution if they were subjected to the liabilities, rescissions and added costs which the rule would impose. This work contributes considerably in developing and broadening the placement of issues among investors, thus making for a broader market in both original financing and in subsequent placements or secondary markets. Such widened distribution is not only helpful but of material value to the issuing municipalities.

Variance of Factors in Municipal Securities

Municipal securities vary materially in particulars, character and security background. Such variances, of course, have their effect on the worth of the secur-

ities and in the marketing of them.

For instance in the State of Ohio, municipal bonds may be payable from unlimited taxes, taxes within the 15 mills limitation, and taxes within the 10 mills limitation. A block of such bonds coming into the market may have any combination of these factors or be combined with special assessments or utility earnings or be supported by utility earnings alone. There are also bonds secured solely by delinquent taxes—delinquent taxes levied outside of the limit—delinquent taxes levied within the 15-mills limitation, and delinquent taxes levied within the 10-mills limitation and/or special assessments.

Mahoning County, Ohio with a population of about 240,000, of which Youngstown is the county seat, has approximately \$4,500,000 of bonds outstanding. These are divided into 22 different issues with seven different purposes, 13 different interest rates, and many different maturities. Considering the interest rates, purposes and maturities along with security factors (varying taxing provisions or other medium of payment) it has been estimated that there are over 576 different possible factor combinations to be given consideration in the measurement and marketing of the securities of that county. Incidentally, in Mahoning County bonds, utility earnings are not involved such as is frequently the case in the issues of other municipalities.

In the instances of larger units in Ohio, the number of factor combinations would be even greater. A dealer bidding for such bonds must determine and evaluate such of these factors or combination of factors as may exist in the block or blocks of bonds under consideration. The bid he arrives at represents the measurement and appraisal of an exceedingly large number of tangible and intangible factors.

Let us consider for instance the obligations of New York City. Its bonds do not have the varied factors of security background that are found in Ohio municipal issues and in those of various other states, yet there appears in the book "Valuations of Securities" issued under the supervision of the Valuation Committee of the National Association of Insurance Commissioners, several hundred valuation items for New York City securities. In the 1941 edition 531 valuation figures, ranging from 91 to 180, are listed under the heading of New York City alone.

With so many different price factors affecting practically the same security as is the case of New York City, it is apparent that with some 175,000 municipal entities in this country having the legal right to issue bonds, many of which have obligations outstanding, the multiplicity of issues with a wide range of maturities, rates, security background, local conditions, and other factors precludes any possibility of practical compliance with the rule. Even within a narrow field, the best independent quoted prices might be obtainable through one dealer as to a certain maturity or maturities and through another dealer in the same city or located elsewhere as to some other maturity or maturities of the same block of bonds being bought from or sold to the customer.

Variance in Views

The views of dealers as to the market value of municipal securities vary, and in certain issues quite materially.

It is a matter of independent judgment. A recent sale of a small block of bonds may serve to illustrate.

The City of New Boston, Ohio, publicly advertised for sale on Aug. 10 this year, \$41,900 refunding bonds of the City. The bonds mature serially Nov. 1 in each of

the years 1943 to 1954 inclusive, and are payable from ad valorem taxes of which 23% is limited to within the 10 mills constitutional limitation, and the balance or 77% may be levied, if necessary, beyond all limitations. The City contracted to furnish the successful bidder with a marketable opinion approving the legality of the issue which, of course, is another important factor in municipal transactions.

According to the published report the City received on August 10th four bids for the issue as follows:

100.637 for the bonds as 2 1/4s
100.38 for the bonds as 2 1/2s
100.66 for the bonds as 3s
100.40 for the bonds as 3 1/4s

These bids were in each instance made by houses of long experience in the municipal business. The difference between the high and low bid was over 7 points thus reflecting the difference in dealer views as to the market value for this particular block of bonds. The offering of the issue by the successful bidder was at a different price for each of the 12 different maturities.

Another example that will serve to illustrate the point is a block of Richland County, South Carolina bonds which was also broadly advertised for public sale on August 4th last. This county includes Columbia, the capital of the State. The issue totaled \$200,000 unlimited ad valorem tax bonds issued for hospital purposes. The bonds mature serially August 1st in each of the years 1943 to 1962 inclusive. A marketable legal opinion was to be furnished the successful bidder. According to the published report the high bidder paid 100.515 for the bonds as 2s. There were other bids for the bonds also by experienced houses including one by a large well-known dealer at a price of 101.053 for 2 1/2s. The difference between this bid and the high bid is approximately 5 points.

No Central Point for Independent Prices

Independent "bid and asked" or "bid" or "asked" prices are not readily available in some central place in the municipal markets as may be the case in the recorded auction markets. The field in which to endeavor to obtain such independent prices in the municipal market is practically limitless. A check through hundreds of dealers located in various cities might well fail to evidence the best independent figures. The search would necessarily have to be through the telephone, teletype or telegraph. The cost involved would be tremendous in both money and man-hours. It would be prohibitive.

A Chicago dealer trying to ascertain the best independent prices for a bond of a small town in Florida would obviously have to contact Florida dealers. A New York house endeavoring to ascertain the required figures relating to the bonds of a small municipality in Utah would in all probability have to make contacts with dealers in Utah, Colorado and California and possibly in the State of Washington.

Consider for example a dealer located in a city in Texas, California or the Pacific Northwest. A customer wishing to sell some of his holdings and desiring his money promptly calls upon the dealer to purchase \$10,000 of his bonds as follows:

\$3,000 Miami, Florida Refunding 3 1/2s due serially July 1, 1955, 1956 and 1957.
\$3,000 Dayton, Ohio Bridge 4 1/4s due serially September 1, 1949, 1950 and 1951.
\$4,000 Detroit, Michigan Bonds \$2,000 Street Ry. 5 1/2s due August 1, 1950.
\$2,000 Refunding 3 1/2s due January 1, 1954 and 1955.

For the purpose of illustration, let us trace this transaction in some detail under the proposed

rule. The dealer must first furnish the customer from whom he purchases the bonds with the best independent "bid and asked" or best independent "bid" or "asked."

As to the Miami, Florida bonds the best independent figure may be found in Miami or New York or it might at that particular time be in Jacksonville, Florida, Chicago or perhaps elsewhere. The best figure at the time for the Detroit, Michigan bonds may be in Detroit, Chicago or New York and as to the Dayton, Ohio bonds some dealer in Dayton, Columbus, Cincinnati, Cleveland or Toledo may have it or it may be in New York or Chicago. A check with a substantial number of dealers in each of the above cities might not reveal the best figure. Having missed it at the time, as might be subsequently evidenced, the dealer might well find himself in difficulty through rescissions if nothing else in spite of the fact that he had, in his opinion, exercised reasonable diligence in the undertaking.

The dealer has, however, only started on his work in this transaction. He must distribute the bonds. He works to do so within his field of operation. He may sell the three Miami, Florida bonds within a few days, and must then proceed with the same check as to the best independent "bid and asked" etc. as to those bonds in order to furnish that customer with the required information. Within the next several days, the dealer may be successful in placing the \$2,000 Detroit, Michigan Refunding 3½s at which time he must again go through the same motions with respect to these bonds. A few days later he may succeed in distributing the \$3,000 Dayton, Ohio bonds and must again go through the work of attempting to check that market at its various points in order to furnish the information to that customer. At some subsequent date the dealer succeeds in placing the remaining \$2,000 Detroit bonds, the Street Ry. 5½s, and here again he is confronted with the same expensive and laborious task in his attempt to locate the best figure for that customer.

As has been previously pointed out the cost in money and man hours of such an undertaking would be tremendous and prohibitive. In addition to the cost of seeking to obtain the best independent prices there is the cost of recording the information. Paragraph (c) of the proposed rule reads:

"Records to be kept. Every dealer who makes a disclosure pursuant to Paragraph (a) (1) of this rule shall make and preserve a record of (1) the information so disclosed; (2) the date and time as of which such bid and asked prices were current; (3) the sources of the information disclosed; and (4) the date and time such information was obtained."

Further, there are the contingent liabilities which the requirement would impose upon the dealer and the risks of claims of rescission with respect to each transaction.

Bid and Asked Prices

Independent bid and asked prices do not necessarily evidence or reflect the actual price at which municipal securities can be bought or sold. Such quotations are in the main nominal and are not firm prices. There is also the factor of confusion through the unavoidable intermingling of wholesale and retail prices.

A rule requiring the disclosure of the best independent bid and asked prices on a municipal transaction appears to disregard the fact that municipal dealers are principally engaged in a merchandising business and not in a trading or brokerage business. As has been pointed out the merchandising of municipal securities consists of the dealer pur-

chasing bonds for his own inventory and with his own funds or credit and the subsequent offering of the bonds to his clients and prospective customers at a fixed price which will show him a profit.

In the process, when a dealer is asked to make a bona fide firm bid for any particular bonds he must determine his price upon the consideration that he is investing his own money in the purchase of the bonds for his own inventory and risk. Upon his knowledge of the security and the requirements of his customers or prospects, as well as general market conditions, he exercises his best judgment in determining a price at which he thinks the security can be resold, deducting therefrom his expenses and expected profit based on the work and risk involved.

If the bonds are purchased the dealer then re-offers them at the fixed price previously determined, and as in new issues the bonds remain available for sale at this price until they are sold or until the dealer is convinced that his judgment was wrong through his inability to resell the bonds or unless a substantial change in the general market dictates the desirability of revising the offering price. The offering may extend over a period of days or weeks or, in rare instances, months assuming no general market changes.

During such period the particular bonds are not available for sale at any other than the original offering price regardless of what other dealers might be willing to indicate as nominal bid and asked prices. Such indications must be entirely nominal, assuming that no identical bonds are available for other dealers to bid on or to be offered by any other dealer at any price, which is usually the case with a great majority of municipal bonds.

Even in the case of obligations of large municipalities, such as New York City for example, where bonds are almost always available in the market, a fixed price offering is not inconsistent when it is considered that other offerings may vary as to coupon rate, maturity, amount available and other factors bearing on the security and desirability of the bonds. Any dealer's independent bid and asked prices cannot be anything but nominal unless bonds are actually available for him to bid on or unless he owns or controls bonds which he can offer for sale.

Factors

Among the factors that influence prices of municipal bonds and which need consideration in making a bona fide firm bid are:

1. The amount of bonds offered—the amount of bonds of the same issuer known to be available in the market or scheduled to be offered for bids. Also, when and under what conditions such offering may be made;

2. The current condition of the issuer with respect to tax or revenue collections, tax levies or schedule of tolls, temporary borrowings for current account or capital account;

3. The purpose of issue of the bonds to be sold. The existing position of the specific obligation in the debt structure of the issuer. Can the existing position be changed by subsequent issues. Is the issue now, or has it been questioned in the courts. Is it a negotiable instrument. Can it be called prior to maturity, if so when, and at what price;

4. The security background, maturity or maturities, interest rate or rates, form, legal opinion, priority if any, and local tax status of the particular bonds.

Another Factor

Another matter for consideration is the position of the many dealers who would be constantly burdened and at times swamped with requests from all over the

country for bid and asked prices on transactions which cannot possibly mean anything to them but costly additional work. The more active the business, the greater the demand would be upon them.

Dealers could not afford the time nor could they afford the added expense of the work involved in computing actual or bona fide firm bid prices for transactions in which they would have no chance to participate.

Disclosure of Cost

Paragraph (C) of the proposed rule reads as follows:

"(C) if neither such a bid nor such an asked price can be obtained after the exercise of reasonable diligence, the price at which the dealer was able to acquire the security in that bona fide transaction which is closest in point of time to the proposed sale to or purchase from the customer, but which is not more remote than sixty days prior to such proposed sale or purchase, provided, however, that if the dealer has had no such transaction he shall make the disclosure required by paragraph (2) hereof; and

"(2) if the disclosure is made pursuant to (B) or (C) of paragraph (1) hereof, the fact that after the exercise of reasonable diligence he was unable to ascertain a current independent bid or asked price, or both, as the case may be."

There are two important features concerning these provisions.

(1) It is shown in the forepart of this statement that a dealer may go to great lengths to obtain the best independent price or prices and fail to accomplish the purpose. In many cases he may also go to great lengths and still be unable to locate any current independent bid or asked price. Yet it might be later established that there was an independent bid or asked price quoted at the time by some dealer just around the corner from numerous dealers contacted. By making the statement required by paragraph (2) above, the dealer further subjects himself to the liabilities imposed by the law and to the risks of rescission. The rule would place him in a unique position. He must either obtain and disclose the best price or say that he is unable to locate any current bid or asked price. In either statement he may be in error regardless of whatever efforts were made. A dealer could never be sure that he had searched every nook and corner nor could he do so.

(2) As to the disclosure of the price at which the dealer was able to acquire the security as provided in (C) above, it must be recognized that the price paid does not necessarily include the aggregate cost to the dealer. There are other and varying cost factors which have to be taken into consideration before a profit is determined.

Further changes in the market for a particular security, subsequent to its purchase, may be such that the price paid is very substantially above or very materially below the selling price of the security thus leaving the dealer to appear in the eyes of the customer either as taking an unusual profit or in having paid more for the bonds than they are worth.

Changes in the municipal market, as in the market for other securities, are at times sudden and there are always trends and cycles playing their part and which have to be considered. Further, there are occasions when bonds purchased cannot, due to some existing condition, be offered immediately but are held awaiting developments. With indications or evidence of clarification of the particular situation the dealer undertakes to sell the bonds. The then market may mean to him many points of unexpected profit or many points

of unexpected loss. That obviously is one of the risks which the dealer takes.

The price paid by a dealer for a block of municipal bonds maturing serially is based on the weighted average life of the block. The offering prices may represent a loss of some of the maturities with an off-setting profit on others in the same offering.

We submit that the price the dealer pays does not evidence the retail market value of the security when sold to a customer. This is so not only because of market changes, but because of expenses of varying character involved in the transaction, and which are not evidenced in the price paid by the dealer.

Services Rendered by Dealers

It seems suitable at this time to refer briefly to some of the services that are rendered by dealers in municipal securities which are in addition to creating and developing markets for municipal issues both original and secondary.

Dealers work extensively with municipal officials with respect to plans of financing, also relative to the form and character of the issue or issues, balancing schedules of serial maturities with relation to tax collections or other charges, and with respect to other pertinent factors. This is constantly occurring not only with regard to new issues, but also as to refunding and other operations relative to both tax supported issues and those payable from revenues.

Incidentally, since the passage of the Emergency Relief and Construction Act of 1932, authorizing the Reconstruction Finance Corporation to lend \$1,500,000,000 for municipal and other public improvements, there has been in evidence a marked trend on the part of municipalities to acquire utilities or facilities developed under private ownership. It is recognized that numerous problems in this process confront municipalities, investors, and the securities industry. Municipal bond dealers have efficiently functioned in working out the numerous technical details involved, and in buying (direct and from the RFC) and distributing the security issues that provide the funds for the municipality to acquire the facility.

Municipal houses have a continuing interest in the proper performance of the municipality they have financed, and are frequently called upon to see to it that various essential steps are taken and carried out. In some instances, refunding operations must be undertaken, and maturities altered to keep the obligations current, and to enable the municipality continuously to maintain a credit standing in keeping with its resources and ability to pay, so that in the course of time the municipality may discharge its indebtedness.

Further, many dealers have developed and maintain research departments specializing in acquiring pertinent informative data relating to literally thousands of municipal entities. This material serves in measuring the security and is available to customers and others desiring information.

Frequently, representatives of such dealers are sent direct to the municipality for the purpose of investigation and first-hand information relative to the situation. It is possible for investors by inquiring of dealers to ascertain the financial status and other pertinent information relating to practically all municipal entities, even the smallest.

Municipal dealers have formed and maintain separate organizations in several of the States, for the purpose of examination and study of the financial status of municipalities within the respec-

tive States, and of other matters bearing on the credit position and securities of such municipalities. These organizations maintain a staff for this purpose, and are a central place for compiling essential municipal information. This is disseminated through their members, and at times direct, to others. These organizations render a valuable service to local municipalities and to investors as well as to municipal dealers who support them.

At times, much time and money is expended by municipal dealers in improving the market worth of blocks of bonds. Such as, for instance, those for which there is not available a "marketable" legal opinion and instances where the bonds have been marred or mutilated as a result of fire, flood, etc. The results of the flood at Providence, Rhode Island, in September 1938 provided a number of such instances and that work is still being carried on.

Municipal dealers have contributed much in working with State legislators in effecting changes in State laws beneficial to investors and to the credit position of municipalities.

Customers are not regularly or continuously in the market seeking avenues for the employment of funds. They await information from the dealer advising them of the availability of the kind of offering which fits into the program of investment which they have established for themselves. Investors in municipal securities, in the preponderance, are discriminating and selective, and with their purchases rightfully expect and demand a continued interest on the part of the dealer in the preservation of the quality of the security which they purchase. To permit that relationship to degenerate into a mere price-quoting and order-filling avocation involves far greater risks than investors and dealers in municipal securities in the United States can afford to take.

Summary

1. It is believed that in the foregoing statement enough of the effects of the proposed rule have been shown to demonstrate that should it be adopted it would be injurious to:

a. The States and their governmental units which means public interest as a whole;

b. Investors—large and small;

c. The industry engaged in purchasing and marketing municipal securities and otherwise serving municipalities and investors.

2. In addition it has been shown that the proposed rule is unworkable and could not in practice be complied with. It would subject dealers to contingent liabilities, claims of rescission and burdensome additional operating costs which many dealers could not absorb or afford to risk. Such dealers would obviously be forced out of business.

3. Further, the proposed rule is clearly discriminatory as to "exempted securities" as defined in paragraph (a) (12) of Section 3 of the Law. Very properly, care has been exercised in the preparation of the rule to protect from its effects the markets for the securities of the Federal Government, its instrumentalities and agencies, yet by the application of the rule there would be instituted regulations which would detrimentally regulate and seriously impair the marketing facilities for the securities of the States, their subdivisions, instrumentalities and agencies, thereby adversely affecting the facilities of these units of our Government to finance their governmental functions.

4. In conclusion, we reiterate that, in our opinion, the rule would be in violation of the intent and purpose of Congress in its enactment of the Securities Exchange Law as originally written and as subsequently amended.

Calendar of New Security Flotations

Following is a list of issues whose registration statements were filed less than twenty days ago. These issues are grouped according to the dates on which the registration statements will in normal course become effective, that is twenty days after filing except in the case of the securities of certain foreign public authorities which normally become effective in seven days.

These dates, unless otherwise specified, are as of 4:30 P.M. Eastern Standard Time as per rule 930(b).

Offerings will rarely be made before the day following.

SATURDAY, NOV. 14

KEYSTONE CUSTODIAN FUNDS, INC.

Keystone Custodian Funds, Inc., has filed a registration statement with the SEC covering 200,000 shares, investment trust—full certificates of participation, series "B-3".

Address—50 Congress St., Boston, Mass.
Business—Investment trust.

Underwriting—Keystone Corporation, of Boston, under control with Keystone Custodian Funds, Inc., is principal underwriter.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5055. Form C-1. (10-26-42)

KEYSTONE CUSTODIAN FUNDS, INC.

Keystone Custodian Funds, Inc., has filed a registration statement with SEC covering 150,000 shares, investment trust—full certificates of participation, series "K-1".

Address—50 Congress St., Boston, Mass.
Business—Investment trust.

Underwriting—Keystone Corporation of Boston, under control with Keystone Custodian Funds, Inc., is principal underwriter.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5056. Form C-1. (10-26-42)

KEYSTONE CUSTODIAN FUNDS, INC.

Keystone Custodian Funds, Inc., has filed a registration statement with SEC covering 150,000 shares, investment trust—full certificates of participation, series "S-2".

Address—50 Congress St., Boston, Mass.
Business—Investment trust.

Underwriting—Keystone Corporation of Boston, under control with Keystone Custodian Funds, Inc., is principal underwriter of certificates of participation in the Keystone Funds.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5057. Form C-1. (10-26-42)

MONDAY, NOV. 16

P. L. ANDREWS CORP.

P. L. Andrews Corp. has filed a registration statement with the SEC for \$360,000 first mortgage convertible 5½% bonds, series A, maturing serially from 1943 to 1957.

Address—7800 Cooper Ave., Glendale, New York, N. Y.

Business—General character of the business done by the corporation is the design, development, manufacture and sale of paper packaging and wrapping materials in a variety of forms of envelopes, folders, wrappers, folding boxes and containers. Primarily because of the nature of the plant and products of the corporation, it is anticipated that the war or conditions arising therefrom will not alter substantially the general character of the business or products of the corporation.

Underwriting—No firm commitment has been made to take any of the securities registered, but P. W. Brooks & Co., Inc., New York City, is the principal underwriter, as defined in the Securities Act of 1933.

Offering—The securities will be offered at prices ranging from 99½ to 102¼ depending upon maturity date.

Proceeds—Net proceeds will be used to discharge a proposed demand bank loan, to reimburse the corporation for machinery acquired and balance for such additional production facilities as are needed.

Registration Statement No. 2-5058. Form A-2 (10-28-42)

DATES OF OFFERING DETERMINED

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.

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 be effected.

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

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

Net proceeds of the series M bonds will be used to pay principal and premium in the redemption at 105% on Oct. 1, 1942, of \$1,494,000 face amount of 1st 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 Nepco Services, Inc., and 10 shares of common of Nepco 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 last 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.

Declarations to Become Effective—The SEC on Nov. 3, 1942, issued an order granting the applications and permitting to become effective declarations filed by Central Maine Power Co., Cumberland County Power & Light Co., New England Industries, Inc., and New England Public Service Co. pursuant to sections 6, 7, 10 and 12 of the Public Utility Holding Company Act of 1935 regarding transactions, summarized as follows:

Central Maine and Cumberland (both subsidiaries of Nepco) propose to enter into an agreement of merger by which Central Maine will acquire all the assets and assume all of the liabilities of Cumberland and by which Central Maine will continue as the surviving corporation. Cumberland will dispose of all of its assets to Central Maine and will be merged into Central Maine.

It is proposed that Central Maine: (1) change and increase its authorized common stock from 150,000 shares (no par) into 1,500,000 shares of common stock (\$10 par) of which 642,500 shares will be outstanding in the hands of the holders of the presently outstanding 140,000 shares of common stock, and change the voting power of the common stock so that each share of such common stock (\$10 par) will have one-fifth of a vote; (2) issue and sell for cash \$12,500,000 first and general mortgage bonds of a new series, to be designated Series M; (3) issue and sell for cash \$5,000,000 in principal amount of 10-year serial notes; (4) issue a presently undeterminable amount of 5% preferred stock, 5% dividend series, of which series 20,000 shares are presently outstanding.

It is further proposed that Central Maine: (1) assume the liability upon \$9,275,000 first mortgage bonds, 3½% due 1966 and \$1,494,000 of first mortgage bonds, 4% due 1960 of Cumberland, and redeem and retire said bonds at 105¼% and 105%, respectively; (2) redeem and

retire all outstanding shares of preferred stock of Cumberland at their respective redemption prices, subject, however, to an offer of exchange to be made to the holders thereof under which such holders may elect to receive two shares of \$50 preferred stock, 5% dividend series, plus two shares of common stock (\$10 par) of Central Maine for each share of 6% preferred stock of Cumberland, or two shares of \$50 preferred stock, 5% dividend series, plus one share of common stock (\$10 par) of Central Maine for each share of 5½% preferred stock of Cumberland. It is further proposed that Central Maine redeem or otherwise retire its presently outstanding 7% preferred stock in direct ratio to the par value of its \$50 preferred stock, 5% dividend series, issued in such exchange of Cumberland preferred stock.

It is further proposed: (1) that Central Maine issue and sell for cash 261,910 shares of common stock (\$10 par) at \$10 per share, and that Nepco purchase such shares (less any shares taken by holders of common stock and 6% Preferred stock of Central Maine upon the exercise of their respective preemptive rights); (2) that Nepco tender for conversion its present holdings of 54,699 shares of common stock of Cumberland and 638 shares of 6% preferred stock of Central Maine and receive therefor 404,575 shares and 6,380 shares (total 410,955 shares) respectively of common stock (\$10 par) of Central Maine.

It is further proposed that Central Maine's bank loans be paid off and necessary funds provided for the purchase and construction of property with cash derived from the transactions described above.

Amendment filed Nov. 3, 1942, to defer effective date.

FIREMAN'S FUND INSURANCE CO.

Fireman's Fund Insurance Co. has filed registration statement with SEC for 64,086 shares of \$10 par value common stock.

Address—San Francisco, Calif.

Business—Fire, motor and marine insurance, etc.

Offering—After reclassification of securities to offer 33,738 shares of Fireman's \$10 par common and scrip for fractional shares in exchange for 44,984 shares of \$10 par common of Home Fire & Marine Insurance Co. of California on basis of 75/100ths share of Fireman's Fund for one share of Home; and 30,348 shares of Fireman's in exchange for 67,440 shares of \$10 par common of Occidental Insurance Co. on basis of 45/100ths share of Fireman's Fund for one share of Occidental.

Underwriting—There are no underwriters.

Proceeds—To be issued under plan of exchange.

Statement filed in San Francisco.

Registration Statement No. 2-5051. Form A-2. (10-15-42)

Amendment to defer effective date filed Oct. 28, 1942.

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, 1958; and 140,000 shares Cumulative Preferred Stock \$100 Par. Interest rates on the Bonds and Debentures, and the dividend rate on the preferred stock, will be supplied by amendment.

Address—25 S. E. Second Ave., Miami, Fla.

Business—This subsidiary of American Power & Light (Electric Bond & Share System) is an operating public utility engaged principally in generating, transmitting, distributing and selling electric energy (also manufacture and sale of gas), serving most of the territory along the east coast of Florida (with exception of the Jacksonville area), and other portions of Florida.

Underwriting and offering—The securities registered are to be sold by company under the competitive bidding Rule U-50 of the SEC's Public Utility Holding Company Act. Names of underwriters and price to public, will be supplied by post-effective amendment to registration statement.

Proceeds will be applied as follows: \$53,170,000 to redeem at 102¼, the \$62,000,000 of company's First Mortgage 5s of 1954; \$15,693,370 to redeem at \$110 per share, the 142,687 shares of company's 7% preferred stock, no par. Further details to be supplied by post-effective amendment.

Registration Statement No. 2-4845. Form A-2. (9-17-41)

Amendment filed Oct. 27, 1942, to defer effective date.

GRAND FORKS HERALD, INCORPORATED

Grand Forks Herald, Incorporated, has filed a registration statement with the SEC for \$170,000 4½% first mortgage serial maturity bonds, dated Sept. 1, 1942. Bonds will mature as follows: \$12,000 on each Sept. 1 from Sept. 1, 1943 to and including Sept. 1, 1951; \$62,000 on Sept. 1, 1952.

Address—118 North Fourth Street, Grand Forks, N. D.

Business—Newspaper publication.

Offering—Bonds are to be offered at prices ranging from 101.57 for the 1943 maturity to 100.50 for the 1952 maturity. The average offering price per unit is 102.1073 plus accrued interest.

Underwriting—Kalman & Co., Inc., St. Paul, is the sole underwriter.

Proceeds—The net proceeds, together with other funds of the corporation, are to be used to retire as of Jan. 1, 1943, the corporation's 6½% 15-year sinking fund debenture bonds due Sept. 1, 1944.

Registration Statement No. 2-5049. Form A-2. (10-12-42)

Amendment filed Oct. 28, 1942, to defer effective date.

HOUSTON NATURAL GAS CORPORATION

Houston Natural Gas Corp. has filed a registration statement with SEC for 40,000 shares of preferred stock, 5% cumulative, par value \$50 per share.

Address—Petroleum Building, Houston, Texas.

Business—Company produces, purchases and distributes natural gas in a large number of cities, towns and communities in Texas.

Offering—The stock, after reclassification of securities, is to be offered at \$50 per share. The holders of common stock (approximately 80,000 out of 158,289) who have not previously waived their preemptive rights to subscribe for the new issue of preferred will be afforded a 10-day period after the effective date of the registration statement within which to exercise their pre-emptive rights by subscribing for one share of preferred for each four shares of common stock held. If in the opinion of the company a sufficient number of shares is not subscribed for the company reserves the right to refund all payments and cancel the subscriptions, but if a sufficient number of shares of preferred is subscribed for by the public and by the holders of common, company will offer to exchange 11,000 shares of preferred, \$50 par, for the 10,000 shares of preferred stock, 7% cumulative, par value \$50 per share, callable at \$55 per share, presently outstanding.

Underwriting—The preferred stock is not being underwritten. Names of principal brokers soliciting subscriptions are Moroney, Beissner & Co., Houston, Texas, and Mackubin, Legg & Co., Baltimore. The first will receive fees and commissions for transactions occurring in the State of Texas and the second will receive fees and commissions as managers of the selling group offering the preferred stock outside of State of Texas.

Proceeds—No specific allocation of the net proceeds has been made, but will be added to and become a part of the general funds of the company.

Registration Statement No. 2-5050. Form A-2. (10-12-42)

Registration effective 5:30 p. m. ESWT on Oct. 28, 1942.

INTERIM FINANCE CORP.

Interim Finance Corp. filed a registration statement with the SEC for 39,912 shares class A stock, \$25 par; and 23,232 shares common stock, \$1 par.

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

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

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

Amendment filed, July 30, 1942 to defer effective date.

Offering—The class A stock is to be sold in units of 4 shares, at a price of \$100 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 Oct. 15, 1942, to defer effective date.

JEFFERY BOULEVARD BUILDING CORP.

Jeffery Boulevard Building Corp. through voting trustees has filed a registration statement with the SEC for voting trust certificates covering 1,471 shares of preferred stock, par value \$100 per share, and 163 shares of common, no par value.

Address—10 South La Salle St., Chicago

Business—Apartment building.

Offering—To be issued in connection with the extension of a voting trust agreement for a period of seven years from Aug. 15, 1942, to August 15, 1949, unless continued for a longer period by the affirmative vote of holders of 51% in amount of the outstanding voting trust certificates outstanding, representing the preferred stock. The stock was originally issued at the time of the reorganization of the property and placed in a voting trust for a period of five years. Trustees deem it advantageous to continue the voting trust for a further period.

Registration Statement No. 2-5052. Form F-1. (10-21-42)

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

NU-ENAMEL CORPORATION

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

Address—9 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)

Nu-Enamel Corporation on Aug. 26 filed an amendment to its registration statement giving the public offering price at \$2 per share.

Registration effective 5:30 p. m. EWT on Sept. 14, 1942.

SOUTHERN UNION GAS CO.

Texas Southwestern Gas Co. has filed a registration statement with the SEC for Southern Union Gas Co. (the latter to be the surviving corporation in a proposed merger plan) covering 240,584 shares of Southern Union Gas Co. common stock, par value \$1 per share. The name of the registrant will be changed in consummation of the merger plan from Texas Southwestern Gas Co. to Southern Union Gas Co.

Address—1104 Burt Building, Dallas, Texas.

Business—Primarily engaged as an operating utility company.

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

Offering—Agreement of merger provides, among other things, that the survivor corporation shall offer approximately 240,584 shares of its common stock, par \$1 per share, for subscription by holders of the presently outstanding common stock of Southern Union Gas Co., New Mexico Gas Co., and New Mexico Eastern Gas Co. at the price of \$1.50 per share.

In addition to the securities to be issued in exchange for outstanding securities of the constituent companies involved in the merger plan, the details of which have previously been filed with the Commission and made public, the company will issue and sell for cash \$3,650,000 of first mortgage sinking fund bonds, 3¾% series due Oct. 1, 1962.

Registration statement reveals that E. H. Rollins & Sons, Inc., has advised the company that it has agreed to sell the bonds for the survivor corporation at a price equal to not less than 103¼% plus accrued interest, in such manner that there will not be involved any public offering of the bonds requiring their registration under the Securities Act of 1933. As compensation for its services in finding a purchaser, the banking firm is to be paid a commission of one-half of one per cent of the aggregate principal amount of the bonds.

Proceeds—The proceeds to be received by the survivor company from the sale of its bonds in the face amount of \$3,650,000 and from the sale of common stock for cash and \$250,000 of the proceeds from the Southern Union Production Co. loan will be used towards redemption or payment of debt of Southern Union Gas Co. (old Co.), Texas Southwestern Gas Co., New Mexico Gas Co., New Mexico Eastern Gas Co., reorganization expenses and working capital.

Registration Statement No. 2-5046. Form A-2. (9-28-42)

Southern Union Gas Co., in an amendment filed with the SEC on Oct. 20 discloses that in connection with the proposed offering of 240,584 shares of common stock (par \$1) to holders of common stock of constituent companies at \$1.50 per share, certain dealers will be compensated at the rate of 15 cents per share for each share of common stock agreed to be purchased by such stockholders through the efforts of the dealers. Dealers selected to render such services are E. H. Rollins & Sons, Inc., New York; W. C. Gibson & Co., Chicago, and Kausher, Pierce & Co., Dallas, Texas. Such underwriters will select subunderwriters.

By agreement E. H. Rollins & Sons, Inc., as underwriter, will purchase from the company at \$1.50 per share such portion of the common stock not subscribed for by stockholders. As compensation for commitment the underwriter will receive \$12,000 plus an additional amount per share to be determined by the percentage of stock which the underwriter purchases, the amounts ranging from 5 cents to 20 cents per share.

The underwriter intends to make a public offering at \$1.50 per share.

Registration effective 5 p. m. ESWT on Oct. 22 as of 5:30 p. m. ESWT on Oct. 17, 1942.

Offering—Holders of common stock (of the constituent companies to be merged) of record Oct. 14 are given the right to subscribe for one share of common stock of the surviving corporation for each share of common stock of the constituent companies owned by such holder. Subscription rights expire Nov. 12, 1942.

UNION ELECTRIC CO. OF MISSOURI

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

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

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

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

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

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

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

In the "Chronicle" of Feb. 26, 1942, page 846.

Amendment filed Nov. 2, 1942, to defer effective date

UNION LIGHT, HEAT AND POWER COMPANY

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

Address—4th & Main St., Cincinnati Ohio

Business—Operating electric utility company
Underwriter—Columbia Gas & Electric Corp.

Offering—Stockholders will receive offer to subscribe to 25/94ths of one common share in units of 5/94ths of a share for each 5/94ths of a share held at \$5.37 for each unit. On a share basis, stockholders may subscribe to 5 new shares for each share held at \$100.016 per share. Substantially all outstanding stock is held by Columbia Gas & Electric Corp.

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

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

Amendment filed Oct. 27, 1942, to defer effective date

UNITED GAS CORPORATION

United Gas Corp. registered \$75,000,000 first mortgage and collateral trust 3 1/4% bonds due 1958

Address—2 Rector Street, New York City
Business—Production and sale of natural gas; part of Electric Bond and Share System

Underwriters—None

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

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

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

United Gas Corp. filed amendment with SEC on Feb. 21, 1942, stating that it had been unable to further extend the purchase agreements with 14 insurance companies covering the proposed private sale to such insurance companies of \$75,000,000 of the company's first mortgage and collateral trust 3 1/4% bonds, due 1959. This amendment states: "These purchase agreements expired on Feb. 16, 1942. The corporation intends to continue negotiations to the end that its bonds shall be either sold privately, by renewal of the aforesaid agreements or otherwise, or offered to the public as circumstances shall dictate in order to obtain the best possible price." Amendment filed Nov. 5, 1942, to defer effective date

WEST INDIES SUGAR CORP.

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

Address—60 E. 42nd St., New York City
Business—Company, organized in 1932 pursuant to the plan of reorganization of Cuban Dominican Sugar Corp. and certain of its subsidiaries, is solely a holding company owning the securities of several operating subsidiaries engaged principally in the production of raw cane sugar and invert and blackstrap molasses in the Dominican Republic and Cuba

Underwriters will be named by amendment

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

Proceeds will be received by the selling stockholders

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

Amendment filed April 21, 1942, to defer effective date

Coffee To Be Rationed Beginning Nov. 28

The Office of Price Administration announced on Oct. 26 that coffee will be rationed, starting at midnight Nov. 28, at a rate of one pound every five weeks for each person over 15 years old. All retail sales of coffee will be frozen at midnight, Nov. 21, for the week before rationing begins, to permit merchants to stock their shelves. Price Administrator Leon Henderson said.

Sugar ration books will be used for the first rationing of coffee, using the last 10 stamps in the book (Nos. 28 to 19). Because of the make-up of the book, coupon No. 27 will be used to obtain the first pound of coffee. Subsequent rations will be on coupons taken in sequence, working backward to the center of the book.

Mr. Henderson said the War Production Board ordered the

OPA to take control of consumer distribution to assure an equal supply for all, and attributed the emergency action mainly to excessive buying by consumers.

"There is no reason for anyone to run to the corner grocer, put the squeeze on him and try to force him to help a hoarder," Mr. Henderson declared. "There is absolutely no excuse for hoarding coffee at this time.

"We're announcing the forthcoming rationing now because we're going to have to talk to a lot of people in the coffee industry, and elsewhere about the administration of the rationing program.

"Naturally, stories and rumors will be creeping around about what we propose to do. Most of them will be entirely garbled and thus create more confusion and hysteria than even now exists on the subject of coffee. We are therefore stating what we plan to do so that the public can get the story straight and from an official source.

"For ten years before 1941 we consumed about 13 pounds (per person) of coffee a year. Last year, due to abnormal demands, this figure jumped to about 16 pounds. Thus far, in 1942, we have consumed coffee at the rate of about 12.5 pounds annually. Therefore, a ration of one pound each five weeks per person certainly is not a drastic reduction."

WPB Chairman Donald M. Nelson assured the Inter-American Coffee Board on Nov. 5 that the WPB would consider raising or eliminating the coffee ration if shipping facilities so improve that supplies are ample.

In a letter to Paul C. Daniels, Chairman of the Inter-American Coffee Board Mr. Nelson confirmed the understanding of the Board on the following five points with respect to the rationing program:

"1. The coffee-rationing program is solely a matter of the internal distribution of coffee within the United States, having as its objective the equitable distribution of such coffee as it is possible to import rather than the curtailment of imports.

"2. The rationing program is not intended to curtail consumption of coffee in the United States below levels justified by actual and prospective imports of coffee.

"3. The intent of the rationing program is not to affect adversely the exportation of coffee from producing countries and importation into the United States, and shipments of coffee to the United States will continue to be authorized in as great volume as available shipping space permits.

"4. We can assure you that if shipping facilities improve, consideration will be given to the raising of the coffee ration or its elimination if the arrivals of coffee and supplies in the United States are ample.

"5. You may be assured that every effort will continue to be made, consistent with the war effort, to provide shipping space for the movement of coffee to the United States."

Plan To Halt Rises In Bread-Flour Prices

The Office of Price Administration and the U. S. Department of Agriculture announced on Oct. 23 the completion of a program to prevent increases in the prices of bread and flour to the American consumer. Bread prices have been fixed at the March levels since May, 1942, and flour was recently frozen at the levels prevailing Sept. 28 to Oct. 2.

Regarding the plan, the announcement said:

"The program provides for making wheat available to flour millers at prices approximating the levels which prevailed from Sept. 28 to Oct. 2. This will be accomplished by the release of loan wheat back to producers by

Commodity Credit Corporation for sale in the market. The release price per bushel on such loan wheat will be less than the amount of the loan per bushel plus accumulated carrying charges by a sufficient amount to enable producers to sell the wheat at prices in line with the ceiling prices on flour.

"By this operation, any possibility that flour millers will be 'squeezed' between advancing wheat prices and a flour ceiling is removed. Any possibility of a similar 'squeeze' developing between flour and bread is likewise averted.

"The release prices of loan wheat will be announced by Commodity Credit Corporation at such time as the marketing of loan wheat becomes necessary to accomplish the purposes of this program."

Clearing House Ass'n. Of North N. J. Elects

At the annual meeting of the Northern New Jersey Clearing House Association, held on Oct. 15 at the Trust Co. of New Jersey, Jersey City, N. J., the following figures were presented:

Total amount of exchanges for year ----- \$1,640,359,879
Balances for year -- 1,363,678,768
Largest exchange on any one day from Oct. 1, 1941 to Sept. 30, 1942—Dec. 31, 1941. 12,827,655
Largest balance on any one day from Oct. 1, 1941 to Sept. 30, 1942—Dec. 31, 1941. 11,518,330

A list of the officers and committees elected for the year ending Oct. 21, 1943, follows:

President—Clarence G. Meeks, Hudson Trust Co., Union City.

Vice President—Edward C. Schultze, Hudson County National Bank, Jersey City.

Secretary—Edward T. Purcell, Commercial Trust Co., New Jersey, Jersey City.

Executive Committee

Two Years—Arthur M. Muller, The Trust Co. of New Jersey, Jersey City; John F. Schmidt, Bayonne Trust Co., Bayonne.

One Year—Kelley Graham, The First National Bank of Jersey City; Robert S. Carmichael, Commercial Trust Co. of New Jersey, Jersey City.

Nominating Committee

Two Years—Edward F. Briggs, Hudson Trust Co., Union City; Eugene T. Huberti, Franklin National Bank, Jersey City.

One Year—Clifford A. Spoerl, The First National Bank of Jersey City; William C. Veit, Trust Co. of New Jersey, Jersey City; William V. Toffey, Commercial Trust Co. of New Jersey, Jersey City.

Clearing Committee

William H. Dillistin, Valentine Willis and Ray M. Gidney.

OPA Extends Freezing Of Automobile Sales

At the request of the War Department, the Office of Price Administration on Nov. 1 extended the order forbidding sales of 1942 model Chevrolet, Ford and Plymouth four-door, hard-topped sedans to civilians until Dec. 31. Even persons who obtain rationing certificates authorizing purchases of new passenger automobiles may not buy any of the frozen models.

The order, originally expiring Oct. 31, was put into effect Aug. 18 to halt civilian sales of these models until the Army and Navy have been able to fill their requirements. Extension of the freeze to Dec. 31 is accomplished by Amendment No. 18 to the New Passenger Automobile Rationing Regulations, effective Oct. 31.

Hull Says U. S. Policy Toward Vichy Directed Toward Liberation Of France

Secretary of State Cordell Hull declared on Nov. 8 that the policy pursued by the U. S. Government in its relations with Vichy France during the last two years "has been directed toward ultimately liberating France from her German captors" and that the sending of the military expedition to French North Africa was the most important objective of the policy. At a special press conference, the Secretary read a formal statement listing the five major purposes obtained from the American-Vichy policy, which had long been criticized.

Mr. Hull's statement said:

"People who have been concerned about the Vichy policy of this Government will now be able to see clearly and fully its entire content.

"The liberation of French Morocco by American military forces carries forward the various purposes and objectives of this Government in pursuing its policy toward Vichy. This policy has been directed toward ultimately liberating France from her German captors. The American, British and Canadian Governments have wholeheartedly favored and supported this policy. The more important of those purposes have been:

"1. Opportunity for the Government of the United States to get from week to week highly important information virtually from the inside of Germany-controlled territory, and from North Africa regarding Axis subversive activities, and other important phases of the international situation.

"2. Maintenance of close relations with the French people and

encouragement of leadership in opposition to Hitler wherever it exists.

"3. Keeping alive the basic concepts of freedom of the French people, looking toward ultimate restoration of free institutions for France as they existed before German occupation.

"4. Retention of closest personal touch on the ground with all phases of the French and German situation; under the armistice prevailing between Germany and France; resistance to increased German pressure for France to go beyond the armistice provisions and to collaborate with Germany; constant effort to prevent delivery of the French fleet or any part of it into German military hands or to give military support to the German aims; that also includes French bases all along the Mediterranean and Atlantic coasts.

"5. And last, but most important, to pave the way and prepare the background in the most effective manner possible for the planning and sending of the military expedition into the Western Mediterranean area, and to assist the movements supporting present British operations farther East."

ABA Manual On Accounts Receivable Loans

Member institutions of the American Bankers Association throughout the country have received from the Association's Bank Management Commission a new Commercial Bank Management Booklet, Number 25, outlining the credit requirements and operating procedure involved in lending on accounts receivable. The manual, which is designed to assist banks in expanding their credit

the help they get in maintaining good credit.

"Accounts receivable financing is in the field of specialized credits. Experience over the years indicates that it can be conducted safely and with profit to the lending institution provided certain safeguards are adhered to. In this brief manual we have attempted to bring to the attention of interested bankers some appreciation of the special features of this credit and the procedures necessary to a satisfactory operation."

In an introduction the Bank Management Commission states that because of the legal complexities and variety of state statutory limitations surrounding the pledge or sale of accounts receivable the suggestions contained in the manual must necessarily be general, and that any active participation in this kind of business should be done only on the advice and assistance of the bank's counsel. It further says that the procedures outlined in the manual are designed to "provide the lending bank with maximum protection consistent with profitable operations."

Summing up the advantages of this type of credit, the manual says:

"The Reconstruction Finance Corporation and the Federal Reserve banks have extended credit on the basis of accounts receivable for some time. This type of credit helps bank customers when unsecured credit is either not justified at all or not enough to meet a legitimate need. It keeps such customers in the bank and promotes an intimate, helpful relationship with the customers who most need help, guidance, and advice. The loans are self-liquidating. They help in cases where business is expanding rapidly. They can be used effectively where customers have a minimum of capital and a heavy seasonal business. They help customers step up production and lower costs. Accounts receivable financing enables customers to take discounts and save money by doing so, aside from

N. J. Bankers To Hold One Day Meeting In N. Y.

The New Jersey Bankers Association will substitute a one-day meeting at the Federal Reserve Bank of New York on Nov. 20 for its usual two-day trust conference, it was announced by F. Palmer Armstrong, head of the Association and President of Keyport (N. J.) Banking Co. Mr. Armstrong pointed out that, in view of the rubber and gasoline shortages, New York will be more convenient than Princeton or Asbury Park, where the sessions were previously held.

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Result of Treasury Bill Offering

The Treasury Department announced on Oct. 30 that the tenders for \$500,000,000, or thereabouts, of 91-day Treasury bills to be dated Nov. 4, 1942, and to mature Feb. 3, 1943, which were offered on Oct. 28, were opened at the Federal Reserve Banks on Oct. 30.

The details of this issue are as follows:

Total applied for.....\$905,637,000
Total accepted.....500,044,000

Range of accepted bids:

High—99.922. Equivalent rate of discount approximately 0.309% per annum.

Low—99.905. Equivalent rate of discount approximately 0.376% per annum.

Average price—99.906. Equivalent rate of discount approximately 0.373% per annum.

(45% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Nov. 4 in amount of \$352,565,000.

On Leave Of Absence

BRIDGEPORT, CONN.—Frank Carley Hunt, who was formerly a partner in Hincks Bros. & Co. and for the past six years has been a Director and Treasurer of Gaynor, Clemence & Co., Inc., is taking a leave of absence and is now associated with Manning, Maxwell and Moore, Inc., of Bridgeport, Conn.

Now Doolittle Schoellkopf

BUFFALO, N. Y.—Effective Nov. 1 the firm name of Doolittle, Roth & Schoellkopf was changed to Doolittle, Schoellkopf & Co. Offices will continue in the Liberty Bank Building.

On Nov. 19 Nina B. Doolittle will become a special partner in the firm.

Tax Worksheet Available

Spencer Trask & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, have prepared a tax worksheet for investors. Copies may be obtained from Spencer Trask & Co. upon request.

Pettit, Bryan Change Name

JERSEY CITY, N. J.—Pettit, Bryan & Kalbach, Inc., 26 Journal Square, sponsors of the Knickerbocker Fund, announce a change in their firm name to Knickerbocker Distributors, Inc. There is no change in management, policy or personnel.

R. Hoe common

Vicana Sugar common

Spokane Int'l R. R.

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Our Reporter On "Governments"

Last Thursday, we expected some information on the November financing. . . . We had been told we would receive an indication then as to what was up for this month. . . . And while the general opinion was and still is at this writing that the "taps" or "on sale" bonds are to be offered to non-banking investors again, there was the usual degree of anticipation apparent in the financial district the morning of Nov. 5. . . . Then came Secretary Morgenthau's announcement that the news would be out in a few days, sometime probably during the week of Nov. 9. . . . There are a number of things to be straightened out first, said he—and thus the delay. . . .

The Treasury's working balance holds more than \$4,200,000,000 at the moment. . . . Morgenthau has plenty of cash for the time being and presumably many plans to talk over with his advisers now that he is back from England. . . . It is fitting and proper that he should postpone announcement on the November borrowing to a more propitious date. . . . There is no reason for haste at this time. . . . And he probably would like to see the Government market in a more healthy state—if that can be managed between now and the day for the next offering. . . .

All this is predicated on one basis, though, one basis which is of much more importance than you might consider at first glance—and that basis is that the Secretary is not preparing any nice little surprises for us again. . . .

GIVE US TIME!

If there is one lesson the Treasury should have learned from its near-fiasco October deal it's the lesson of preparing the market for these giant-size financings. . . . No surprises, please. . . . No overnight changes in plans without warning and without attention to the simple problems of placing subscriptions and calling board meetings. . . . It is to be assumed that Morgenthau learned that lesson just as the bond dealers and traders re-learned it a few weeks ago. . . . If the postponement in the November financing announcement is just for the purpose of ironing out some kinks, fine and dandy. . . . If it's for the purpose of working up a new plan to try out on an already tired market, the Treasury is taking another unnecessary chance with the stability of its major source of funds. . . .

But these remarks are preliminary. . . . The general feeling still is that we'll have another issue of 2½s to be directed at insurance companies and corporations and individual investors of wealth. . . . And the odds are this issue will raise in the neighborhood of a billion or more dollars right off. . . . The insurance companies are getting set for big subscriptions and the Victory Fund Committees are ready to spread the word on the "on sales" throughout the country. . . .

It still seems a good idea to give us more time to prepare to buy new bonds. . . . It still seems sensible to allow the experts and salesmen more than a few hours to educate buyers unaccustomed to the market in the ways of subscribing and the virtues of special new issues. . . . Eventually, the Treasury must reach that point of view, most private authorities believe. . . .

Apparently, though, it hasn't come to that yet. . . . Although we now know books on new issues will remain open longer than two days. . . . And we have some idea of the types of offerings to come, so we should be able to figure out what's ahead on our own. . . . That will hold only if the "no surprises" idea takes hold in the Treasury Department too. . . .

THE PATTERN

There's a "full house" of Government securities out and on the calendar now. . . . Ranging from discount bills due in 90 days to certificates of indebtedness due in a year to notes due in one to five years to medium-term bonds due in five to 10 years to long-term non-banking investments due in 10 to 30 years. . . . You know the list and you can choose the securities best fitted to your portfolio needs. . . .

As a matter of fact, the market's acceptance of this list is reflected in the stability of the price level following Morgenthau's announcement that he wouldn't talk Thursday. . . . The general opinion is we know what we're to get—if plans as calculated remain unchanged. . . . "If" . . .

In addition, the design of the Treasury's offerings—short-terms for banks, long-terms for non-banking institutions—is beginning to have a marked influence on the make-up of investors' portfolios. . . . A table, prepared by the Treasury, throws that point, of unusual significance from an over-all financing angle, into sharp focus. . . .

For instance, here is the way holdings of banks shape up now. . . . The date chosen is Aug. 31, but the Treasury reveals the same maturity trends are apparent at the moment. . . .

Maturity of Issue	% Held	
	Jan. 31	Aug. 31
Within one year	66.9	62.0
One to five years	53.6	54.4
Five to 10 years	55.8	60.4
10 to 15 years	41.2	40.0
15 to 20 years	26.3	18.8
Over 20 years	40.3	37.9
Total	51.3	52.9

Notice the increase in securities held with maturities ranging between one and 10 years, the decrease in securities held with maturities ranging from 15 to 30 years. . . . That's what the Treasury wants—liquidity among the commercial banks. . . .

Now consider the way holdings of insurance companies shape up as of today in comparison with early 1942. . . .

Maturity of Issue	% Held	
	Jan. 31	Aug. 31
Within one year	3.5	3.6
One to five years	11.7	10.8
Five to 10 years	16.5	13.9
10 to 15 years	20.7	21.8
15 to 20 years	45.0	52.9
Over 20 years	23.8	23.6
Total	16.1	15.3

Notice the increase in securities held with maturities ranging between 15 and 20 years, the decrease in securities held with ma-

SEC On Interest On Defaulted Bonds

The Securities and Exchange Commission issued on Nov. 5 an opinion regarding the treatment by an investment company of interest collected on defaulted bonds applicable to a period prior to the date on which bonds and defaulted interest were purchased. The opinion, prepared by William W. Wertz, Chief Accountant for the Commission, follows, according to Philadelphia advices to the New York "Herald Tribune":

"Question has been raised as to the treatment by an investment company of interest collected on defaulted bonds applicable to a period prior to the date on which such bonds and defaulted interest were acquired. In the particular case, an investment company purchased at a 'flat' price of \$260,000 (a total of) \$1,000,000 principal amount of bonds with attached defaulted interest coupons amounting to \$250,000. The company subsequent to the purchase received one interest payment of \$40,000 on account of defaulted interest coupons for periods prior to the purchase.

"Where a purchase is made of defaulted bonds with defaulted interest coupons attached, it is clear that the purchase price covers not only the right to receive the principal of the bond itself but the right to receive any payments made on the defaulted interest coupons purchased.

"Under these circumstances the price paid cannot be deemed to reflect only on the cost of acquisition of the issuer's obligation to pay the principal sum but must instead be considered to reflect as well the cost of acquisition of the issuer's existing obligation to pay the interest coupons already matured. In the usual case, moreover, there is no satisfactory basis on which to allocate the total price between the bond, on the one hand, and the defaulted interest coupons, on the other.

"Under such circumstances the bond and the defaulted interest coupons should be treated as a unit for accounting purposes and collections on account of the defaulted interest coupons should be treated not as interest on the sum invested but rather as repayments thereof. Moreover, in view of the uncertainty of eventually receiving payments in excess of the purchase price, it is my opinion that ordinarily no part of any payment, whether on account of principal or of the defaulted interest, should be considered as profit until the full purchase price has been recovered.

curities ranging up to 10 years. . . . That's what the Treasury wants—long-terms in the portfolios of "permanent" investors. . . .

Now consider the way holdings of other investors shape up today in comparison with early 1942. . . .

Maturity of Issue	% Held	
	Jan. 31	Aug. 31
Within one year	26.0	22.7
One to five years	24.7	25.0
Five to 10 years	16.6	16.6
10 to 15 years	25.9	25.9
15 to 20 years	20.2	29.9
Over 20 years	25.6	26.2
Total	22.6	21.7

Not much change here and not much to boast about either. . . . The Victory Fund Committees are trying to start an all-out campaign to get corporations and individuals into the long-term Government mart and to support each "on sale" financing, etc., that comes along. . . . The real work lies ahead. . . .

INSIDE THE MARKET

November quota for war bond sales considered too conservative. . . . October quota of \$775,000,000 was exceeded with sales totaling \$814,353,000, but October quota was too low also. . . . Odds are that on paper, the Treasury will make an excellent showing in November because the \$800,000,000 quota for this month should be easily topped. . . . Story is Morgenthau will raise the quotas as the fiscal year progresses. . . . He'll have to if we are to meet the \$12,000,000,000 war bond sale goal. . . .

Insurance company sales of high-premium, tax-exempt municipals place them in position to buy more Governments and cement their friendly relations. . . . Besides freezing a profit on the municipals, insurance companies get 2.5% return on the "on sales," compared with around 2 to 2.10% yield on municipals. . . .

Few refundings on the Treasury calendar. . . . December maturity is \$232,000,000 1¼% notes. . . . Then a small block of notes due in March. . . . That's all. . . .

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"In the instant case, therefore, the receipt of the \$40,000 interest payment should, in my opinion, be treated as a reduction of the cost of the investment and not as interest income or as a profit on the investment. After payments are received on account of the principal and defaulted interest in an amount equal to the purchase price, any further collections thereon should be treated not as interest but as profit on securities purchased.

"On the other hand, it seems clear that collection of interest coupons covering periods subsequent to the purchase may be treated as interest income unless the circumstances of a particular case are such as to indicate that, despite the apparent nature of the payment, recovery of the cost of the investment through sale or redemption is so uncertain as to make it necessary to treat the payment as a reduction of the investment."

Holmes With Taussig Day

ST. LOUIS, MO.—Louis L. Holmes has become associated with Taussig, Day & Company, Inc., 506 Olive Street, members of the St. Louis Stock Exchange, and will represent that firm in Springfield and Joplin, Missouri. Mr. Holmes formerly represented the Cragin Investment Company in Springfield, Missouri.

Garfield J. Taussig, President of Taussig, Day & Company, Inc., was recently-elected a director of the Terre Haute Malleable & Manufacturing Company of Terre Haute, Indiana, and also of the Duro Test Corporation of North Bergen, N. J.

Tax Law Explained

R. H. Johnson & Co., 64 Wall Street, New York City, is distributing a short explanation of the 1942 Tax Law, copies of which may be had from them upon request.