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EDITORIAL

## As We See It

"We are to take a teaspoon of 'peace and prosperity' whenever issues are mentioned and they will promptly disappear." Thus spake phrasemaker Adlai E. Stevenson, candidate for the Democratic nomination for the Presidency, in a recent address complaining among other things of this presumed "slogan" of the Republican party for the forthcoming election campaign. We can well understand the dissatisfaction of Mr. Stevenson with any effort to employ this or any other catch-phrase as a vote getter and as a means of avoiding more tedious and sometimes more hazardous analysis of what ought to be the issues of the campaign. Doubtless this particular cry of "peace and prosperity" is more than ordinarily galling to the Democratic party and to its candidates for office this year by reason of the common belief that it is likely to be quite effective.

The reason, or certainly one of them, that we can not join Mr. Stevenson more enthusiastically in his denunciation of Republican politicians on this count is the simple fact that Mr. Stevenson and the others who would like so well to unseat the Eisenhower Administration are themselves so addicted to precisely the same type of tactics wherever and whenever the opportunity offers. Take, for example, the very occasion upon which the Democratic candidate offered this comment upon Republican tactics this year. Mr. Stevenson was in Minnesota talking to farmers who are said to be deeply dissatisfied with their lot at the moment. He had a good deal of a rather harsh nature to say about the agricultural policies of the administration and by contrast kept holding

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## New Dimensions In Our Economy

By RALPH J. CORDINER*
President, General Electric Company

**General Electric President depicts the economy poised at the threshold of reversing the industrial revolution, freeing man from machine, requiring long-range planning, investments, stabilized production, and products and promotion geared to year-long selling. Need for managerial vision is stressed and Mr. Cordiner estimates: (1) need for 3.6% annual growth rate; (2) electrical industry must double output in 10 years and quadruple it in next 16 years; (3) dynamic effect of increasing population, income, living standard and technology; (4) 1965 Gross National Product at $570 billion; and (5) upward growth surge from automation, research, development and innovation investment.**

As we advance into a year of national elections, I am sure none of us is surprised to find that one of our most cherished American privileges is being increasingly exercised. That is the privilege of disagreeing with each other. This seems to apply in matters of economics as well as in politics. A truly noteworthy aspect of this year 1956 is that on one point at least there seems to be widespread agreement. In the words of the President's Council of Economic Advisors "a glorious economic future may be ours." I think we all share that faith in the boundless opportunity for all Americans. We must agree too with the Council's warning that we shall achieve the promise of a glorious future "only by wise management of our national household."


Ralph J. Cordiner

The point I should like to discuss with you is how our leaders in industry, finance and commerce can make

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*An address by Mr. Cordiner before the Economic Club of New York, March 5, 1956.

## Growth Stocks in Particular Industries

By WILLIAM HAMILTON SWARTZ*
Partner, Goodbody & Co., New York City

**Prominent investment analyst concentrates on certain yardsticks in particular industries, groups and special situations to determine locus of greatest growth. Preference is expressed for: chemicals; utilities, especially in the northwest; oils, particularly Gulf Coast development; drugs; life insurance; defense industry, encompassing atomic energy, electronics, aircraft and guided missiles; metallurgical and light weight metals; airlines; meatpacking; and companies benefiting from lower raw material costs. Mr. Swartz discerns highest ratio of research to sales in defense industry group and anticipates outpouring of developments to generate new industrial and commercial markets. Excellent correlation between research expenditures and profits is found.**

My talk today could also be titled "Thesis Investing in '56." Thesis investing de-emphasizes the market as such and instead concentrates on trying to find the particular industries or groups most likely to benefit from the period ahead.

There appear to be 8 or 10 groups where one can find a good thesis for '56. First, however, I would like to emphasize the more basic, longer-term thesis about finding companies that spend above-average sums on research and development because most such companies then show above-average growth. With total U. S. expenditures for research and development by all sources apparently running from 20 to 30 times the rate of the early '30s and with 1955 believed to have reached a new all-time peak around $5 billion or half again as much


William H. Swartz

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*An address by Mr. Swartz at the Dean's Day Homecoming Conference, New York University Graduate School of Business Administration, New York City, Feb. 25, 1956.

**PICTURES IN THIS ISSUE—Candid photos taken at the Annual Mid-Winter Dinner of the INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA appear in the Pictorial Section starting on page 25.**

# The Security I Like Best

**A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.**

**(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)**

### This Week's Forum Participants and Their Selections



S. G. EISENSTADT
Partner, Statistical Department
Straus, Blosser & McDowell,
Chicago, Ill.

**Ero Manufacturing Company**

The automobile seat cover industry, which comprises one of the largest segments of the auto parts industry as a whole, is moving ahead into 1956 with justifiable confidence.


Sam Eisenstadt

Ero Manufacturing Co., Chicago, one of the industry's leaders reports that during the past year the company reversed a nation-wide decline in auto seat cover sales. The decline resulted from the fact that new cars, during recent years, came equipped with such attractive upholstery that few motorists cared to cover it.

To meet the new and changed situation Ero embarked on an intensive program of developing new designs, new materials and new uses for their product. This was coupled with several novel promotions that paid off handsomely.

As a result the company showed a 14% increase in net sales from 1954 to 1955. Net sales for fiscal year ended Aug. 31, 1955, were $9,135,143 compared with $8,017,097 for 1954. Net income during the same period increased 18% from $265,119 to $313,621. Per share earnings were $0.90 against $0.76 the year before.

Ero Mfg. Co. has 358,500 shares of common stock outstanding. Since Feb. 6, 1956, Ero stock has been listed and traded on the American Stock Exchange. Ero has no funded debt and no preferred stock outstanding.

The Aug. 31, 1955, balance sheet disclosed total current assets of $4,131,988 including cash and equivalent of $948,420 and total current liabilities of only $745,768 for a net working capital of $3,386,220, equal to $9.67 a share. Book value was $11.26 a share. Both figures are based on the 350,000 shares then outstanding. An additional 8,500 shares were subsequently issued to purchase Protection Products Co., with the shares plus $330,000 cash.

On March 15, 1956, Ero will pay its regular 12½ cents quarterly dividend which will be the 35th consecutive quarterly dividend of 12½ cents since the first public offering of stock in 1947. On Dec. 15, 1955, Ero paid a 25 cent extra yearly dividend, the ninth extra dividend the company has paid.

To directly combat the competition of the distinctively designed and matched upholstery being produced by the automobile manufacturers, Ero changed many of its basic designs to match the interiors of the new cars. The company also developed a clear plastic seat cover that allowed the original beauty of the upholstery to show through and protect it at the same time.

Ero has also developed such materials as terry cloth and corduroy for those car owners who want protective covering but are not ready to recover the original car upholstery. Both the terry cloth and the corduroy covers, which went into production during 1955, are tie-on covers.

The terry cloth seat covers were designed for summer weather use while the corduroy covers were designed to give similar protection during the winter. Surprisingly, both covers have sold equally well during both seasons.

In December, 1955, the development of a new stretchable vinyl-coated material was announced by Ero. This material has made it possible to fit most of the cars on the road today with one-third the number of pattern sizes used previously.

Ero officials estimate that this innovation will allow their retail outlets to stock a full line of covers with greater simplification in cataloging and inventory work. It will also bring many smaller dealers into the seat cover business who could not handle seat covers before because of the large and complex inventory required. Since the new material also makes installation easier, it is expected to cut labor costs as well.

In addition to manufacturing seat covers, Ero has also moved into related fields. The company makes Relaxon hassocks, Crown metal furniture, insect screen covers for automobile grills, automobile seat cushions, luggage carriers, air conditioner covers and automobile safety belts.

But 80% of Ero's production is devoted to seat covers. It is in this area that a great deal of promotional work is being carried out. One highly successful promotion was the Ero "Seat Cover Caravan." Trailers, stocked with seat covers and displaying materials and designs on miniature seats, went into the parking lots of one of Ero's largest customers, a major retail chain. Seat covers were sold right in the parking lots where buyers could conveniently match them with their car interiors and where the covers could be installed on the spot.

In the past most of Ero's sales were made to major automotive chains. A special sales department was set up early in 1955 to encourage business with a larger number of smaller chains and individual retail outlets.

Ero's physical facilities are still expanding. The company's seventh plant was purchased in Chicago in October when Ero acquired Protection Products Co., a local manufacturer of seat covers for the past 37 years. Two other Ero plants are located in Chicago and there is one each in Crystal Lake, Ill., Philadelphia, Los Angeles, and Hazelhurst, Ga. The Hazelhurst plant was recently enlarged by some 25%.

Howard F. Leopold, Ero's President and founder some 45 years ago, sees the next few years as the best ever. "Not only have we developed products and promotions to meet different competitive situations, but we find now that the entire market is turning over in our favor," he says.

The replacement market for seat covers has been growing rapidly with the growth of car registration. In 1954 approximately two-thirds of the 48 million cars on the road were equipped with seat covers. The same proportion held true during 1955 when car registration is estimated to have increased by some 3,000,000 vehicles.

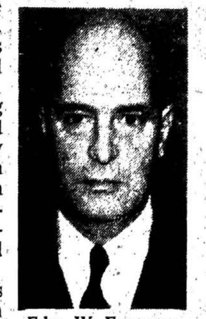
Furthermore, as the number of cars on the road increases their average age rises also, thus increasing the demand for seat cover replacements. For these reasons Leopold sees a still higher demand for his product during the coming years despite predictions of a slight drop in auto production during 1956.

"We will not only keep pace with the market," Leopold says, "but with attractive merchandise and new promotional methods we will outdo it whenever we can."

EDWARD W. FERGUSON
Manager of Investment Research Dept.
Laird, Bissell & Meeds
New York City

**The Coca-Cola Company**

Rarely in the market at any level, and particularly at the present time with leading averages just off slightly from historically high levels, is it possible to find a stock which has as many important factors in its favor as does that of Coca-Cola. That is why in my opinion it merits the selection as a candidate for "The Security I Like Best" column in the "Commercial and Financial Chronicle."


Edw. W. Ferguson

At present it is not generally a popular stock with investors. However, for the discerning security buyer, this is another point in its favor. Coca-Cola common stock at $126 per share offers value, satisfactory yield, quality, growth, new management with real incentive, a company with new policies, a strong technical stock pattern, and a company which should benefit from the increasing population trend of potential customers.

Early in 1955, Mr. Robert Woodruff, Chairman of the Executive Committee, reached the retiring age of 65. He was succeeded by Mr. William E. Robinson, as President and Chief Executive Officer. The appointment of Mr. Robinson was timely and uniquely appropriate for an organization like the Coca-Cola Company; the success of which is heavily dependent upon advertising and public relations. Mr. Robinson had previously served as Chairman of the Board of Robinson-Hannegan Associates, Inc., which for many years has acted as the company's public relations counsel. Prior to that he was Advertising Director, then Executive Vice-President, and finally Publisher of the New York "Herald Tribune." His past record is one of success. For the first time in the history of the company, the Chief Executive Officer and the principle executive officers have been granted options to purchase up to 200,000 shares of stock. Mr. Robinson has been granted an option to purchase up to 25,000 shares of stock at a price of 117¼. Mr. Curtis H. Gager, formerly an executive of General Foods, has been appointed Vice-President in Charge of Sales, which further strengthens management. In the soft drink industry management has always been of prime importance.

The capitalization consists solely of 4,268,078 no par value common stock shares. There is no funded debt. Coca-Cola International owns 29% of the common stock. The financial position is strong. The cash position is more than ample for corporate needs. Since

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# Outlook for Housing

By EARL B. SCHWULST*
President, Bowery Savings Bank, New York City

**President of country's largest savings bank advocates a more equitable distribution of commitment funds to aid the smaller builders, and ingenuity be used in a buyer's market to provide better housing value within the purchasing price limits of the market. In spite of housing debt rise as a per cent of income, instances of overbuilding and growing selectiveness of buyers, Mr. Schwulst foresees substantial continuing housing need and presents evidence to refute pessimistic fears of housing collapse. No shortage of mortgage money, "ample room" in saving banks' portfolios, and as good a year as 1955 for mutual savings banks are predicted. Concern is voiced about the cost of: shrinking land supply, labor, materials, and price of houses.**

From many quarters we are warned to expect a slump in housing. The more pessimistic are adding that if it comes, and especially if it is accompanied by a sharp decline in automobile production, the very fabric of our economy will be endangered.

Earl B. Schwulst

Maybe. This depends on whether a slump is in fact imminent and, if so, how big it will be. Doubtless, a serious decline in these two major industries would adversely affect our economy.

How likely is a serious drop? What factors indicate it? What are the contrary considerations? What really is the problem?

### Real Housing Need

I for one refuse to accept the counsels of extreme pessimism.

If it is true that we have six million or more dwelling units that are not fit for human habitation.

If it is true that we must build at least one million or 1.1 million or 1.2 million new units annually over the next six years and 1.5 million units thereafter for the next 13 years to meet the real needs of the nation.

If it is true that in the next four years we need 2½ million units for minority groups alone.

If we can expect, as has been true in recent years, that five million people per year will move from one state to another and another five million will move within state lines.

If less than 25% of the 20 million eligible veterans have taken advantage of their GI housing entitlement.

If the prediction of the VA that 650,000 veterans will exercise their GI rights for home purchases in 1956 materializes.

If industry carries out its current plans for expansion and decentralization.

If all these things are true, as the majority of experts, both in government and private enterprise, suggest, I cannot foresee the likelihood of an imminent, serious drop-off in residential construction.

### Some Clouds

On the other hand, the horizon is not entirely cloudless. The government has evidenced concern about the growing size of the combined consumer installment and housing debt. Although there are available statistics to prove this debt is too large, too small, or just about right, the fact remains that annual repayments on this growing debt have risen from 13% of disposable personal income in 1950 to 18% in 1955. There obviously must be a limit to the extent we can commit future income. In a respectable number of areas we are encountering for the first time clear evidence of overbuilding. Home sales are moving perceptibly slower. Home buyers are becoming increasingly selective. The cost of construction and the cost of suitable land continue to press upward and are severely taxing the ability of home builders to produce housing within the purchasing power of their markets.

### Housing Credit

What is the answer? At the beginning of this year, the building industry, noting the progressive decline in starts over the past five months, demanded that credit and terms be eased. You know what the response was. VA and FHA restored the 30-year loan. The Federal Home Loan Bank Board partially restored to the savings and loans the privilege of borrowing to meet mortgage commitments. FNMA instituted a new plan that in effect provides for the warehousing of mortgages for nine months for a 1% fee. On the other hand, no action was taken by the Government to ease overall credit policies. Nevertheless I doubt if mortgage money will be in short supply. Although savings did not accumulate last year at the rate experienced in recent years—and may not this year—I foresee no shortage of mortgage funds for real housing needs. Indeed, it seems to me that neither credit nor terms have created the problem we now face. Credit policy has returned since the war to a position of respect as an instrument to be reckoned with in leveling the cyclical fluctuations of our economy, but even those who wield this power recognize that although it can nudge the economy one way or the other it

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*An address by Mr. Schwulst before the Annual Convention of California Mortgage Bankers Association, Coronado, Calif., March 2, 1956.

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**Regular Features**




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# Flexing Our Missiles

By IRA U. COBLEIGH
*Enterprise Economist*

**A swift survey touching upon the long and the short of guided missiles, with some reference to companies having a part in their production.**

A missile is a projectile; a missal is a prayer book: and we're going to need a lot of both if we are to maintain peace on this planet. While most of us have heard much about guided missiles, it is only within the past couple of months that they have moved onto the front page of our papers, and into top priority on shopping list for military hardware. As for military aviation, someone should now draw an updated version of Max Beerbohm's famous cartoon "Dropping the Pilot," since the most devastating air attack we now envision is not by bombers but by unmanned missiles.

Ira U. Cobleigh

As a matter of fact, for us non technical, unscientific folk, the point of demarkation where an artillery shell becomes a missile, and a missile a form of aircraft is pretty hard to define; and the functional merger of one high velocity unit into the other might never have come about except for our compacting an atomic bomb down to warhead size and weight, no longer requiring a big bomber to tote it. While no doubt the only present long range nuclear, or thermonuclear bomb delivery available is via a crew-manned B-47, or its equivalent, the 5,000-mile missile is the awesome bomb bearer of the future.

Before discussing this projected intercontinental missile, we ought to mention some of the shorter distance ones, and the various service branches developing and deploying them. The Army's operating area is in ground based anti-aircraft (defensive), and medium range surface-to-surface missiles. Its main anti-aircraft item is the Nike (Greek word meaning victory), a liquid fueled rocket that zeros in, under electronic guidance, on enemy bombers. A longer range missile is the Redstone, improved and updated offshoot of the German V2 rockets. It's a surface-to-surface job believed capable of development to 1000-1400 mile range. The Nike has been produced in quantity; and Redstone, while still in experimental stage, can fly several hundred miles.

The Navy is at work on missiles than can be launched from either surface or submersible craft. Its "Terrier," an anti-aircraft rocket, is already on active duty.

The Air Force has developed missiles for fighter planes to carry, the most famous of which is Falcon, a 120 lb. 6½ foot cigar, packing radar guided doom against a target plane. The Air Force goes in for ground based anti-aircraft too, and has brought forward a ram-jet rocket called "Bomarc" with a range of several hundred miles, and there's the "Navaho" that looks like a plane, flies long range, and packs an atomic warhead. The Air Force has also brought along the "Snark" into production. This, too, is a pilotless air plane capable of going for 5,000 miles at 600 miles per hours, guided by automatic celestial navigation. It is propelled by a single jet, and it too packs an atomic warhead.

There is considerable inter-service overlapping in researching rockets and ballistic missiles, with effective ranges up to 1500 miles. Weapons in this category have, up to now, been accented partly, perhaps, because they were less complicated than longer mileage ones. With the announcement and belief, however, that the Russians have flown an effective rocket with an estimated range between 900 and 1500 miles, it has seemed vital that we proceed with all haste to beat them to the big one — the Intercontinental Ballistics Missile. This awesome weapon, if we perfect it first, can assure our nation of the strategic advantage we had when we alone possessed the atom bomb. For ICBM, in theory, will be able to travel 5,000 miles at around 15,000 miles per hour. From a West Coast base, it could reach Moscow in a paltry 30 minutes, and, on arrival, could deliver, in seconds, a mass of destructive mayhem equal to 200 Hiroshima atom bombs. A few of these monstrous missiles should serve to insure world peace. If they don't, we may all, indeed, become men of extinction!

Now, while Intermediate Range Ballistics missiles (up to 1500 miles) are being worked over by all service branches, the ICBM is the particular province of the Air Force, which presides over our No. 1 missile testing laboratory at Camp Patrick, Fla., and the related launching base at nearby Cape Canaveral, Fla., jutting out into the Atlantic, 190 miles north of Miami. From there, running in a Southeasterly direction, stretches the test course for missiles for 10,000 miles, with a 1600 mile chain of radar stations to be strung out on Caribbean isles, to report flight progress, and to destroy any misguided missiles.

Now all the above material (none of it classified) is just a little off our regular beat, but was presented as necessary background for the consideration of investors who perceive, in our billion dollar ballistic program, opportunities for prudent investment, somewhat akin to those offered in Boeing, Lockheed, United Aircraft, or Grumman a few years back.

So now we'll veer from missiles to a brief consideration of some of the companies sharing in their production. They're not simple like bullets, but complicated gadgets requiring calculators for figuring range, distance, direction, velocity, earth rotation, etc.; a maze of electronic controls to keep them on course, jets or rocket motors to give them initial speed, and special metals capable of standing intense heat. Well, who's doing some of these jobs?

**The Glenn L. Martin Company** has an important place in this field. It produces the Viking rocket for the Navy, the tow target plane, B-57E, for the Air Force and the Matador TM-61 guided missile, also for the Air Force. This latter is a tactical missile for the attack of enemy troops using a nuclear warhead. Recent tests have established its amazing target accuracy at 650+ miles. This may be an answer to Russia's intermediate rocket.

Glenn Martin common is listed NYSE (Symbol ML). It had losses on commercial plane production in 1947, 1948 and 1951, and suspended dividends between 1947 and 1954. It's a major military producer with sales to the services 99% of total in 1954. ML looks on the upgrade now, and may make some appeal to the missile minded at 35½ paying $1.60.

**Northrop Aircraft, Incorporated,** has moved ahead rapidly since 1953, reporting a new high in sales of $283 million, and net of $7.89 per share for 1955 (fiscal year ending July, 31). A builder of fighter planes during the war, Northrop is now quite a factor in Missiles. It owns Radioplane Co., top producer of electronically controlled target planes, and its "Snark" (above mentioned) ranks among the leading pilotless bombers. Northrop's continued research in long range missiles, may well produce a valuable new addition to our aerial arsenal. For the investor here, there's the common stock at around 26 paying $1.60 and a 4% debenture due 1975 with a very near conversion privilege—into common at $27.25. This "convert" sells at 104.

Probably the top company in guided missiles, at the moment, is **North American Aviation, Inc.,** creator of the "Sabre" jet fighter, and producer of the Navajo missile. This reaches the ether by rocket booster, and then can zoom along at 1700 mph, to 20 miles above the earth. North American's Rocketdyne division has pioneered in rocket propulsion systems, and its Autonetics division designs and manufactures robot navigation and control systems. North American has a lot of know how and a billion dollar backlog in government contracts. Common sells around 80 and pays $4.

The "Nike" supersonic rocket already tested, built and installed in many units, is presently a key weapon in Continental Air Defense. Up to 20 miles, it can follow and finish off an enemy craft implacably. "Nike" is built by a **Douglas Aircraft-Western Electric** team.

The "Bomarc" is also a ground launched supersonic missile. It's built by **Boeing** (famed creator of the B-47 six jet and B-52 eight jet bomber). It is started skyward with an Aerojet rocket, and continues travelling by virtue of two ram-jets built by Marquardt Aircraft Co. Boeing common is listed NYSE, selling around 75.

For the ICBM, the big new long range item, **Ramo-Woolridge** (Los Angeles) is the prime contractor, with two separate shapes and rocket arrangements to be built; one by **Convair** (General Dynamic subsidiary) and the other by **Martin.** One guidance system (inertial guidance) is being advanced by **A. S. Spark Plug, American Bosch Arma** with a technical assist from M.I.T. Computers are to be supplied by **Sperry Rand Corp.** and by **Burroughs. North American Aviation** and **Aerojet-General** have the rocket engine assignment; and **General Electric** will dish out the vital electronic elements. Altogether when this big one is built, it will be the most fantastic missile ever — perhaps 100 feet long, weighing 250 tons, and costing $4 or $5 million.

We can't begin to cite today all the companies whose research and production bear upon the development of guided missiles. Most of the major aircraft companies are active in this area — Lockheed, Curtis Wright, Chance-Vought with its Regulus, Bell, Republic, etc. Further, there are dozens of companies with a specialized approach such as **Clary Corporation** for computing and automatic controls, **Robinson Aviation, Inc.** for shock and vibration proof mounts, and **Mercast Corp.** with a new high precision casting technique, using frozen mercury.

We wish we could tell you which company's stock will turn out the best, market wise, but we can't. We've tried, however, to provide you with a road map, a rather crude one — some general guidance into guided missiles.

## W. E. Hutton & Co. Celebrates 70 Years

W. E. Hutton & Co., members of the New York Stock Exchange and other leading exchanges, celebrated their 70th anniversary March 7.

The firm was founded by the late William E. Hutton in Cincinnati, Ohio, on March 7, 1886. Two of his grandsons, William E. Hutton and James M. Hutton, Jr., are now the active senior partners of the firm. The company, from small beginnings, is now one of the outstanding brokerage and investment banking firms in the financial district.

Offices of the company, in addition to New York and Cincinnati, include: Philadelphia, Baltimore, Boston, Burlington, Vt., Columbus, Ohio, Dayton, Ohio, Easton, Pa., Hartford, Conn., Lewiston, Me., Lexington, Ky., Biddeford, Me. and Portland, Me.

## Merrill Lynch Adds

(Special to The Financial Chronicle)

CINCINNATI, Ohio—George A. Edwards has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, Dixie Terminal Building.

## Three Directors of American Securities

William Rosenwald, Chairman of the Board, and Emmett F. Connely, President of American Securities Corporation, 25 Broad Street, New York City, announced the election of William N. Bannard III, H. Theodore Freeland, and Carl B. Hess as directors.

Carl B. Hess

H. Theodore Freeland

Wm. N. Bannard, III

The new directors are Vice-Presidents of American Securities Corporation. Mr. Bannard, a director of Jeddo Highland Coal Company and its subsidiaries, is head of the public utilities department and research functions. Mr. Freeland is in charge of the trading department and related activities in the main and branch offices. Mr. Hess, in charge of the business and industry department, is a member of the New York State Business Advisory Council.

## Penington, Colket Admit New Partners

Penington, Colket & Co., 70 Pine Street, New York City members of the New York Stock Exchange and other leading exchanges, announce the admission of John H. Kelsay, Thomas I. Parkinson, Jr., John W. Roddie, Jr., as general partners, and John C. Harrison as a limited partner.

The Estate of Gerald W. Caner has withdrawn from the firm.

## New Title to be Swiss Credit Bank

Credit Suisse, Zurich, established 1856, announces the adoption of Swiss Credit Bank as its English legal title. The institution's American branch is located at 25 Pine Street, New York City.

# The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

A slight decline occurred in over-all industrial production in the period ended on Wednesday of last week, but output managed to show a moderately higher level than that of the comparable week in 1955. Fractional decreases were reported in the output of steel and electric power.

Initial claims for unemployment insurance fell 15% in the week ending Feb. 18, and the level was 8% below that of the similar week last year. Layoffs decreased in the construction, coal mining and apparel industries. California, Pennsylvania and Ohio reported the most noticeable reductions in claims, while the level rose moderately in Michigan.

Factory layoffs rose to 17 per 1,000 employees in January, compared with 14 per 1,000 in December, the United States Department of Labor noted. Usually, the trend in January is in the other direction, but heavy layoffs in the auto industry caused the reversal, the department explained.

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Steel labor will shoot for the moon in this year's negotiations with steel producers, but will settle for something less. If last year's strategy is any criterion, the outcome will be in doubt up to the last minute, states "The Iron Age," national metalworking weekly, the current week.

The chances are even for a peaceful settlement, since Dave McDonald of the Steel Union is decrying talk of a possible strike. Steel managements also are playing down such speculation.

Some sources claim the steel union's asking price will be a near 40 cents per hour package, with other issues as supplementary unemployment benefits and the full union shop.

Mr. McDonald's ideas on a rock-bottom settlement may not be known until the 11th hour. He used this strategy with success last year, forcing a short-lived but costly strike.

The steel union leader still has some insurgent groups within his own organization to contend with and he'll not be inclined to take anything less than a substantial settlement. This might be in the neighborhood of 17c-18c per hour. For steel consumers, the offsetting price increase may be about $8 to $9 per ton.

Steel labor talks will come at a time when steel consumers are still jockeying for position on mill order books. There has been no real letup in steel demand, which continues to exceed ability to produce. Consumer inventories are far from comfortable and attempts at a buildup have been blocked by universal demand from virtually all industry.

The automotive sales picture is looking a lot better. Some automotive purchasing agents now wish they had not acted so hastily about cancellations. One large auto company is busy denying reports that it is selling off any of its steel inventory, concludes "The Iron Age."

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Manufacturers' new orders declined more than seasonally in January, the United States Department of Commerce reported. Sales slipped a bit, too, while inventories and unfilled orders climbed higher.

Sales by merchant wholesalers during January fell a seasonal 9% from December but topped January a year ago by 12%, according to the report.

The Commerce Department further stated that manufacturers received orders for $27.5 billion of new business in January. This was a $1.2 billion drop from December's level but $3.2 billion higher than a year earlier.

In the automotive industry United States car production is not roaring lion-like into March, as it did last year, but the current outlook for the month is definitely optimistic, "Ward's Automotive Reports" stated on Friday of last week.

Car makers will tend to loosen the production reins held taut throughout February, said the statistical agency, and they expect to build 609,800 cars during March. This would top February's estimated 554,100 completions by 10%. January's total was 611,190 units.

If this month's production goal is met, it would mark the second greatest March output in history. March, 1955, yielded 792,436 cars, an all-time record for any month, the agency noted.

"Ward's" also estimated automobile output for the first quarter of 1956 at 1,775,800 units, considerably below last year's healthy harvest of 2,126,895, but, on the other hand, far from

*Continued on page 47*

# *Observations . . .*

**By A. WILFRED MAY**

## THE GREAT DECISION

Well, Ike is going to ride again; Wall Street along with the Republican politicos is over its jitters—and "what about the market?"

A. Wilfred May

As a preliminary, let us examine the business and fiscal pictures (even though, as we have often stated, they are not to be assumed as implying the course of market action).

First, it should be realized that the business effects of the Great Decision with its boost of the Republicans from odds-against to odds-on favorites in the Election race, will be largely psychological. While there may be a few border-line cases where management has now been swayed to give the green light for expansion, industry as a whole would in any case have gone ahead, both before and after Election Day.

And such blessing on both your political houses is particularly valid in the consumer's area of the economy.

### The Fair Deal Pilfered

Strongly supporting our conclusion as to the Eisenhower Administration's swiping of the Fair Deal, is the forced concentration of the Democratic candidates' early blasts on sniping at Dulles and vague attacks on Ike's doings in foreign policy.

Surely this Administration has established, as reconfirmed in the President's latest Economic Report, its conformity with the entire New-Fair Deal philosophy and policies of pump-priming and stabilizers of both the "built-in" and stand-by varieties; with Big Spending; Defense and non-Defense; high taxation; social security; farmers' soil banks; and the other varieties of the Welfare State—all adding up to expansion and potential inflation and it seems altogether fair to conclude from a study of Chairman William McChesney Martin's post-1952 credo that the Reserve Board will, under Eisenhower, trigger its anti-inflation weapons at the first indications of trouble on the economic scene.

Likewise tax cuts will probably be enacted under *any* Administration, without escape for "the rich."

The only business element changeable by the Election is its "climate"!

### The Stock Market

What about the stock market, whose level, after the successive panics and exhilarations, is right where it was pre-Heart Incident?

Let us examine the factors—short- and long-term—on which reasoning in the market place rests. Over the short term, they run the full gamut from the bullish to the bearish. From the business area, the highly advertised weak spot of motor production and housing show marked signs of revival to rejoin the boom fold.

On the side of demand for available stocks, the emasculation of former effective wealthy investors by taxation will continue to be fully offset by the growing institutional funds pressing at least on the name stocks. Yields from dividends are still adequate, despite the long bull market. The current return on Moody's Average of 200 leading common stocks, namely 3.93%, is not too unattractive. And pervading the near-term market, whether justified or not, will probably be reassurance ("confidence") over more Eisenhower-behind-the-market.

Pluses from the business area run the gamut from the coming minimum wage increase to the currently reported rises in retail sales.

### Bearish Factors

On the bearish side, the market may be influenced by some flies-in-the-ointment even on the political picture. Doubts conceivably may still arise about the President's actual Election victory. There may be complications over the Vice-Presidency, over the farm "plight," over the international situation.

From the business area, coming wage-price spirals may cause trouble, as in steel.

And qualms over the market's early future may be induced by its present height on historical yardsticks, and its reduced yields on present earnings and dividends.

So, for the short-term, we see that as usual, the price movement is wholly unpredictable.

### The Long-Term Aspects

For application over the long-term, on the other hand, effective criteria of value and market demand-and-supply are fortunately available.

In the area of value, important yardsticks imply that, despite the long bull market, the market in general still gives the investor a good break, with many issues being particularly attractive.

On the basis of earnings and dividend yields reasonably expectable over the long-term, equities (particularly in the non-Blue Chip category) offer the buyer an investment opportunity advantageous both per se, and as compared with alternative uses for his money, such as cash under the mattress, riskless interest media, and real estate.

### Practical Value Yardsticks

The currently ruling price-earnings ratios of 10-1 or so mean that the buyer can get the riskless money rental return on his capital, amortize his investment out over a foreseeable period, and still retain his equity. He can do this in corporations with unprecedented financial strength, many still available at prices reflecting discounts from their net quick liquidating value (that is, "worth more dead than alive").

The pricing of the recently-offered and now Exchange-admitted Ford Motor issue supplies the clearest demonstration of the state of the market. This is so because of the great public attention centered on a new issue, particularly on its price both before and after its actual offering. Our finding, as spelled out in this space recently (Jan. 26), that on the basis of numerous value criteria, the price affords the long-term investor a good break for the use of his money, substantiates the conclusion that the over-all market level similarly is sound.

### That Special Blue Chip Sector

This leaves the Blue Chip *sui generis.*

This market phenomenon-of-the-age with its special psychological elements exceptionally warrants inclusion in any near-term "Eisenhower market."

Over the very long-term, they too merit expectations of gradually higher levels as a result of special demand and tax pressures along with the psychological factors.

* * *

**So — we conclude that, under either political house, over the long-run future equities will appreciate; and, for the short run, "no comment."**

## Sec. Sales Corp. Opens

HOUSTON, Texas — Securities Sales Corp. has been formed with offices at 911 Lovett Boulevard to engage in a securities business. Officers are Dan Hruska, President; Earl S. Tucker, Vice-President; Robert E. Cowling, Secretary and Treasurer. Elijah L. Morris is manager. Mr. Morris was formerly with J. R. Phillips Investment Co. and A. G. Edwards & Sons.

# Outlook for Commercial Finance Companies and Factors for 1956

By WILLIAM J. DRAKE*
Executive Vice-President
National Commercial Finance Conference, Inc.

**Mr. Drake sees no diminution in increasing volume of commercial financing in 1956. Finds: (1) unlike competing sources, most commercial finance companies have not increased, nor contemplate increasing in the near future, their rates or charges; (2) substantial increase in bank loans to commercial financing companies, including credit lines of unsecured bank loans; (3) increasing trend of non-notification factoring; (4) greater bank participation in financing credit needs of small and medium firms; (5) new highs achieved not only in accounts receivable, but also in equipment, inventory, factoring, rediscounting, specialized foreign trade, and merger-acquisition financing, and (6) availability of instant cash permitted businessmen to cope more successfully with increased competition and higher costs. Outlines non-financial services rendered and describes growth of firms services.**

The commercial finance companies of the nation which perform the function of supplying short-term credit to small and medium-sized businesses, experienced their greatest year of activity in 1955 — the volume being 30% higher than in 1954, their previous best year. They see no diminution of volume in 1956.

William J. Drake

In 1955, in one category of commercial financing, i. e., the financing of open accounts receivable, the gross amount of advances made by them totalled approximately $4.9 billion — a phenomenal growth when compared to the modest $536 million financed by them in 1941.

The growth in factoring business likewise has been impressive. For the year 1944, 24 of the largest factoring concerns operating in and around the New York metropolitan area accounted for an over-all volume resulting from clients' sales of approximately $1.620 billion. The yearly combined volume of these same 24 factors continued to expand, with the result that 10 years later, in 1954, the over-all volume had just about doubled to an amount in excess of $3.150 billion. When 1955 sales figures are compiled, it is estimated the factoring results will show a continued forward trend with a substantial increase over 1954 — a conservative estimate is 20% or $3.980 billion for 1955.

The techniques and know-how built up, improved and perfected by the 400 commercial finance companies of the country, which do business on a national, regional and local basis, proved to be important elements of strength during the 1955 period of tight credit and unparalleled, general business activity. In their operations these companies adhered to their long-established policy of selection of loans on a secured basis and while qualitative balance sheet ratios and other tests were of importance they were generally considered secondary in the policy of making commercial finance company resources available to deserving borrowers.

In addition to running up new highs in accounts receivable financing, they financed record volumes of income-producing industrial and commercial equipment, motion picture and television productions and handled increased demands for inventory loans, factoring, rediscounting, financing of import and export transactions and the financing of mergers and acquisitions.

With American industry now producing a gross annual product of approximately $400 billion and considering the almost unprecedented number of upward changes in money rates in a period of less than a year, both the demand for funds and the cost of funds to most borrowers, currently, is the highest in more than 20 years. Yet, while banks and other financial institutions have stepped up interest rates in several stages (there were a dozen increases in commercial paper rates alone), commercial finance companies, in most instances, have not increased their rates or the charges for their services and do not contemplate any in the near future.

Resultantly, the commercial finance industry finds a greater and greater number of small and medium-sized businesses—an important sector of the total comprising some 4,250,000 businesses of the country — beating a path to its door.

Growth companies, particularly, are finding the resources and services of commercial finance companies the answer to many of their problems. Typical of many such companies were three that were given awards at the 1955 annual convention of the industry for the judicious utilization of commercial financing. One award winner, through such use, made possible a change from a balance sheet showing a net loss (prior to commercial financing) in 1948, to a net profit of $1,471,278 in 1954; a second growth company, and award winner, which began doing business in 1942 with a net worth of only $8,000 and had the foresight to immediately employ commercial financing, sold out in 1952 for $5,000,000; a third, which utilized the services of a specialized finance company in the Midwest, saw its sales increase some 800% in a three-year period; and converted a net loss, which it had prior to using commercial financing, to a profit of over one million dollars in 1955.

The progress of commercial finance companies during 1955 has more than justified the confidence of investors in this industry. Since the end of World War II, a typical commercial finance company, doing business on a national scale, has boosted average outstandings as much as 700% and increased capital over three and one-half times. Profits have been high and dividends rather satisfactory. Observers have been particularly intrigued by a recent study of a typical commercial finance company. This study showed that if Mr. John Q. Public had invested $1,000 in the company in 1912, his stock in 1955 would be worth $49.504 and that he would have received $43,524 in cash dividends; this along with the fact that the current annual dividend return on the said $1,000 investment would be $2,665 is indicative of the success of these companies which deal strictly in one commodity, money — as a tool to be used in the production and distribution of commodities and services.

Bank loans to commercial finance companies throughout the year have increased in substantial fashion. Finance company lines in leading banks indicate that the predominant ratio for unsecured bank loans to finance companies range from a 1 to 1 to a 5 to 1 basis. A pertinent survey of 293 leading banks made in 1954 by the Robert Morris Associates — the national association of bank loan officers and credit men — reported that finance companies (comprising commercial finance companies, installment finance companies and consumer finance companies) had lines of credit of unsecured bank loans exceeding $3,600,000,000 or 57.77% of the capital, surplus and undivided profits of the said 293 banks. It is surmised that the same percentage holds true for hundreds of other commercial banks of the country.

### Functional Market Widening

With commercial financing finding greater and greater acceptance in the business world, the functional market for its services has widened materially in the last year. The financing of mergers and acquisitions, television and motion picture programs, budget accounts, specialized import and export transactions, and the rediscounting of the growing volume of paper of numerous installment credit and consumer loan companies, in addition to accounts receivable and inventory financing — the backbone of the industry, — has strained the existing facilities of the industry and has led to expansion programs, in some instances the doubling of staffs and office space, and in others the opening of new branch offices. In addition, the year-end saw an influx of several new companies in the field with more expected in 1956.

### Financing of Mergers and Acquisitions

Students of the record-breaking number of mergers and acquisitions in 1955 witnessed the implementing techniques of commercial finance companies which made many of the smaller and medium-sized mergers of the year possible. In practically all of these consolidations weak companies were strengthened and discontinuances were prevented. Typical of such business mergers were instances where the owners of successful family-owned corporations approaching retirement age wished to sell their businesses in order not only to be relieved of operating responsibilities but to avoid the vexatious estate tax problems

Continued on page 43

*An address by Mr. Drake at the National Commercial Finance Conference.

# Farmers' Welfare Vital to Distributors and Processors

By EZRA TAFT BENSON*
Secretary of Agriculture

**Agriculture Secretary warns food processors and distributors that the weak agricultural link in the food chain is vital to the industry. In pointing out that transportation and other marketing costs rose two-thirds since 1947, and marketing margins increased with declining farmers' earnings and farm prices, Mr. Benson urged consideration be given to the farmers' situation. Reviewing recent Congressional changes to the Administration's proposals, the Secretary called for: (1) sharply increased research-educational funds; (2) Soil Bank, and (3) rejection of war-time incentive parity and "two-price" plans.**

This is a signal honor, a challenging experience, and a sobering responsibility.

I welcome this opportunity to meet with you and discuss our mutual problems. You are a major factor in America's vast and far-flung food industries—a complex business that begins with farmers and ranchers in the field and feed lot and carries through many steps to food on the table. The story behind a pork chop or a steak—behind any American meal—is one of almost unbelievably diverse and interrelated activities.


Ezra Taft Benson

Picture if you will the oil wells, the steel mills, the chemical and machinery factories, the crop production, the range lands, the feed lots — your raw material then comes to you. Then the processing, storing, packaging, more transporting—and a supermarket or restaurant at the end of the line. It is your business, my business. It is a chain of many links—at the end of which is a food supply abundant in quantity, superb in quality, and remarkably inexpensive.

Like any chain, an economic chain is no stronger than its weakest link. The food-industries chain has been participating in the greatest prosperity the nation has ever known—all but one link.

Agriculture is not fully participating. Cattle and hog producers, among others, have suffered a substantial drop in gross receipts, Net income for many producers has turned to net loss — while processing and marketing margins have increased. Farmers have been caught in the web of a cost-price squeeze, not of their making. It hurts. They look upon their plight as unfair—and with reason.

Farmers and ranchers who supply your raw material have a double dilemma. Their prices have declined under the influence of excessive volume. Yet the great majority of them—at least those with full-time operations—cannot improve their circumstances by reducing their individual volume of output.

On the other side of the coin, their costs have risen—and there is a fundamental difference between agriculture and other businesses. **They cannot pass on their increased costs.**

Farmers and ranchers cannot pay whatever price may be quoted for equipment and supplies—or whatever wage rate, at whatever level, by whomever dictated, and pass on or pass back the cost to someone else.

This is the cost side of the squeeze now on them. It leaves farmers feeling frustrated, and then furious. Why should they be thus discriminated against, they ask—when other businesses, the producer of automobiles, the manufacturer of equipment, yes even the processors of food, are successful in avoiding the pinch of cost increases?

Last August the packing industry granted wage increases equal to roughly a $50 million annual boost. Did packers absorb it? The $50 million was more than the total net earnings of the meat packing industry in the previous year. Yet packers have not operated with lower earnings since the increase was granted. No, packers didn't absorb it.

Nor could the full increase be passed on to consumers. Supply and demand conditions for meat—competition in the market—did not permit.

Who did pay the increase? Probably no one group paid it all. Packers may have absorbed a little, though in many cases their profits increased. Consumers of meat may have paid a little more. The evidence is that most of that wage increase was paid by ranchers and farmers—who paid it by taking lower prices for meat animals. And this at a time when other influences also were driving down their prices.

Is it surprising that the farmers have become allergic to round after round of soft wage settlements? I do not mean only in the packing industry. The result is the same when excessive wage boosts are granted in transportation, in equipment manufacture, and anywhere across the whole field of the food industries.

I do not want to be unfair—but I am concerned about processing and distribution costs that continue to rise while farmers' prices are going down.

### Wages and Productivity

Wage increases that reflect a corresponding gain in labor productivity are clearly justified—are indeed highly desirable. But when wages outrun labor productivity, the result is increased costs. Somebody has to pay the bill. Frequently it is the consumer. On equipment and production supplies for which he is the consumer, the farmer pays the cost. Moreover, competition and other conditions in the food industries are such that cost increases are not easily passed on. So the farmer pays much of these also.

Between 1947-49 and 1955, wage rates in food processing and distribution increased 43%. Less than half of this increase was offset by gains in labor productivity. More than half became an increase in the labor cost per unit of food handled. In these years the retail price of food rose 11% but the wage cost per unit of food processed and distributed rose 25%. Clearly farmers absorbed some of the difference—and their prices were correspondingly depressed.

Again, is it not to be expected that farmers would become concerned over food marketing costs that continue to go up and up?

—Concerned over their shrinking proportion of the retail food dollar?

—Concerned over wage rates in food marketing that have doubled in the last 10 years?

—Concerned over transportation and other marketing costs that have risen about two-thirds?

The farmer is the end of the line. He can't pass costs back, and he can't pass them on.

The marketing margin for pork in 1955 was 5% wider than the previous record margin in 1954, and 13% wider than the 1950-54 average. Both the retail price and the farm price were lower in 1955 than in 1954. But the retail price declined less than the farm price, so the marketing margin increased—particularly in the latter part of the year. In the fourth quarter of 1955, the farm price of pork was 30% lower than a year earlier. The marketing margin on the other hand was 13% higher.

About the same thing has been happening in beef. In the last quarter of 1955, the retail price of choice grade beef declined 5% from the year before, but the farm

*Continued on page 43*

*An address by Mr. Benson before the Western States Meat Packers Association, San Francisco.

# Dealer-Broker Investment Recommendations & Literature

*It is understood that the firms mentioned will be pleased to send interested parties the following literature:*

**Aircraft Industry**—Bulletin—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

**Atomic Commentary**—Semi-annual report on status of industry as of Dec. 31, 1955—Atomic Development Securities Co., Inc., 1033 Thirtieth Street, Northwest, Washington 7, D. C.

**Bank Stock Values**—Analysis per dollar of market price—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also available in a memorandum on **American Broadcasting Paramount Theatres, Inc.**

**Banks**—Comparative analysis of the 100 largest banks—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, New York.

**Beatrice Foods Co.**—Analysis—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y.

**Book Manuscripts**—Booklet CN on describing publication, promotion and distribution of books available on request—Vantage Press, Inc., 120 West 31st Street, New York 1, N. Y.

**Canada**—Bulletin—Gardiner, Annett Limited, 330 Bay Street, Toronto 1, Ont., Canada.

**Electric Utilities**—Analysis with particular reference to **Central Illinois Public Service Co., Central & South West Corp., General Public Utilities Corp.**, and **Puget Sound Power & Light Co.**—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

**Electronics Companies**—Comparative analysis of 13 companies—Leason & Co., Incorporated, 39 South La Salle Street, Chicago 3, Ill.

**Income and Capital Gain**—List of companies—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also in the same review is a list of companies with enhanced earnings prospects and of equities favored by institutional investors.

**Income Rail Bonds—Comparisons**—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

**Investing in the Drug Industry**—New Booklet—Harris, Upham, & Co., 120 Broadway, New York 5, N. Y.

**Japanese Stocks**—Current information—Yamaichi Securities Co., Ltd., 111 Broadway, New York 7, N. Y.

**Japan's Motion Picture Industry**—Analysis in current issue of "Investors Beacon"—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. and 1-chome, Tori, Nihonbashi, Chuo-ku, Tokyo, Japan. Also in the same issue is a discussion on Amending Foreign Investmnt Law and Japan's Six-Year Economic Program.

**Oil Stocks**—Featured in March investment letter—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

**Over-the-Counter Index**—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

* * *

**American Investment Company of Illinois**—1955 annual report—American Investment Company of Illinois, 8251 Maryland Avenue, St. Louis 24, Mo.

**American Tractor Corporation** — Bulletin — De Witt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available are bulletins on **Micromatic Hone Corporation, Clary Corporation, American Distilling Company**, and **Atlas Plywood Corp.**

**Beneficial Corporation**—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is a memorandum on **Hupp Corp.**

**Boeing Airplane Company** — Data — Oppenheimer, Vanden Broeck & Co., 120 Broadway, New York 5, N. Y. Also in the same bulletin are data on **Ingersoll Rand Company, Pennroad Corporation, Phelps Dodge Corporation, Phillips Petroleum Company**, and **Radio Corporation of America.**

**Brown Company**—Analysis—Parrish & Co., 40 Wall Street, New York 5, N. Y.

**Christiana Securities Co.**—New Study—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

**Commercial Credit Company** — 44th annual report — Commercial Credit Company, Baltimore 2, Md.

**Dynamics Corp. of America**—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

**Electric Storage Battery**—Data—Bruns, Nordeman & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin is data on **Canada Dry Ginger Ale** and **Certain-Teed Products.**

**Emery Air Freight Corporation**—Review—$2 per copy—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

**Fischer & Porter Company**—Progress report—Boenning & Co., 1529 Walnut Street, Philadelphia 2, Pa.

**Harris Seybold Company**—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is data on **Mack Trucks, Sears, Roebuck & Co., New York Central** and **Gillette Company.**

**Hawker Siddeley Group Ltd.**—Memorandum—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

**Hayes Industries, Incorporated** — Analysis — Smith, Hague, Noble & Co., Penobscot Building, Detroit 26, Mich.

**La Luz Mines Limited**—Analysis—L. S. Jackson & Company, Ltd., 132 St. James Street, West, Montreal, Que., Canada.

**P. Lorillard Company**—Illustrated annual report for 1955—P. Lorillard Company, 119 West 40th Street, New York 18, New York.

**Mead Corporation**—Analysis—Seligman, Lubetkin & Co., 30 Pine Street, New York 5, N. Y.

**Missouri Pacific Railroad** —Memorandum—Salomon Bros. & Hutzler, 60 Wall Street, New York 5, N. Y.

**Modine Manufacturing Company**—Report—Loewi & Co., Inc., 225 East Mason Street, Milwaukee 2, Wis. Also available is a report on **Pacific Far East Line, Inc.**

**National Distillers Products Corporation** — Report — Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

**Northeastern Turnpike**—Progress report—De Leuw, Cather & Company, Farm Bureau Building, Oklahoma City 5, Okla.

**Old Hickory Copper** — Report — General Investing Corp., 80 Wall Street, New York 5, N. Y.

**Olin Mathieson Chemical Corp.**—Analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a list of 42 selected common stocks in the 20's.

**Pacific Power & Light Co.**—Analysis—Unlisted Trading Dept., Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

**Pacific Uranium Mines Co.**—Circular—Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 5, N. Y.

**Precision Radiation Instrument**—Circular—Greene and Company, 37 Wall Street, New York 5, N. Y.

**Riverside Cement Co.**—New views—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

**Sanyo Pulp** — Analysis in current issue of "Weekly Stock Bulletin"—The Nikko Securities Co., Ltd., 5, 1-chome, Kabuto-cho, Nihonbashi, Chuo-ku, Tokyo, Japan. Also in the same issue is an analysis of **Nippon Pulp.**

**Skelly Oil Company** — Annual report — Secretary, Skelly Oil Company, Skelly Building, Tulsa 2, Okla.

**Southern Company** — Brief survey — Abraham & Co. 120 Broadway, New York 5, N. Y. Also in the same bulletin is a brief survey of **Beatrice Foods.**

**Southern Railway**—Analysis in current issue of "Market Observations"—Harris, Upham & Co., 120 Broadway, New York City. In the same issue are analyses of **Bendix Aviation Corp., Owens Illinois Glass**, and **Babcock & Wilcox.** Also available is a review of the market.

**Tide Water Associated Oil Company**—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

## NSTA Notes

### SECURITY TRADERS ASSOCIATION OF NEW YORK

Security Traders Association of New York, Inc. (STANY) Bowling League standing as of March 1, 1956 is as follows:

| Team: | Points: |
|---|---|
| Growney (Capt.), Define, Alexander, Montanye, Weseman | 23 |
| Krisam (Capt.), Farrell, Clemence, Gronick, Flanagan | 22 |
| Leinhardt (Capt.), Bies, Pollock, Kuehner, Fredericks | 21 |
| Leone (Capt.), Gavin, Fitzpatrick, Valentine, Greenberg | 20½ |
| Serlen (Capt.), Gold, Krumholz, Wechsler, Gersten | 18 |
| Donadio (Capt.), Brown, Rappa, Shaw, Demaye | 18 |
| Kaiser (Capt.), Kullman, Werkmeister, O'Connor, Strauss | 17 |
| Barker (Capt.), Bernberg, H. Murphy, Whiting, McGovan | 17 |
| Meyer (Capt.), Corby, A. Frankel, Swenson, Dawson Smith | 16½ |
| Bradley (Capt.), C. Murphy, Voccolli, Rogers, Hunter | 16 |
| Topol (Capt.), Eiger, Nieman, Weissman, Forbes | 13 |
| Manson (Capt.), Jacobs, Barrett, Siegel, Yunker | 8 |

**200 Point Club**

Dawson Smith ---- 216
Jack Barker ---- 200

**5 Point Club**

Emil Leinhardt

## COMING EVENTS

In Investment Field

**March 9, 1956 (New York City)**
New York Security Dealers Association 30th annual dinner in the Grand Ballroom of the Biltmore Hotel.

**March 12-14, 1956 (Houston, Tex.)**
Association of Stock Exchange Firms meeting of Board of Governors.

**March 14-15, 1956 (Chicago, Ill.**
Central States Group Investment Bankers Association 20th annual conference at the Drake Hotel.

**April 26-28, 1956 (Corpus Christi, Texas)**
Texas Group of Investment Bankers Association annual meeting at the Hotel Driscoll.

**April 27, 1956 (New York City)**
Security Traders Association of New York 20th Annual Dinner at the Waldorf Astoria.

**June 1, 1956 (New York City)**
Municipal Bond Club of New York outing at the Westchester Country Club.

**June 8, 1956 (New York City)**
Bond Club of New York summer outing at Sleepy Hollow Country Club, Scarborough, N.Y.

**June 29, 1956 (Toledo, Ohio)**
Bond Club of Toledo summer outing at Inverness Club.

**Oct. 3-5, 1956 (Detroit, Mich.)**
Association of Stock Exchange Firms meeting of Board of Governors.

**Oct. 24-27, 1956 (Palm Springs, Calif.)**
National Security Traders Association Annual Convention.

**Nov. 14, 1956 (New York City)**
Association of Stock Exchange Firms meeting of Board of Governors.

**Nov. 3-6, 1957 (Hot Springs, Va.)**
National Security Traders Association Annual Convention.

## Savard & Hart Open Uptown N. Y. Branch

Savard & Hart, stockbrokers and members of the Montreal, Canadian, and Toronto Stock Exchanges announce the opening of a midtown branch office at 65 West 44th Street. New York City.

J. Ernest Savard, senior partner of Savard & Hart states that the decision to establish a midtown branch in New York City evolved from the need for better service to American investors interested in trading and acquiring Canadian securities; and also for the convenience of Canadian visitors to the metropolitan area.

The new office of Savard & Hart, located at the geographical center of New York on West 44th Street off 5th Avenue is equipped with Canadian Translux and Tickers; research material; and direct private wires to all Canadian and American securities markets.

Paul Sarnoff, MBA has been appointed manager.

The midtown office is the 16th in the international network of Savard & Hart branch offices. The firm maintains 10 branch offices in Canada; three in the United States, two in New York and one in Miami Beach; two in Switzerland through Savard & Hart, SA., an affiliated company and a branch in London, England, through Savard & Hart, Ltd., also an affiliated company.

# Budgetary and Tax Outlook

By PERCIVAL F. BRUNDAGE*
Deputy Director of the Bureau of the Budget

**Budget official finds budgetary outlook favorable providing: (1) existing corporate and excise tax rates are continued; (2) corporate profits do not decline; (3) personal income rises by 3% and individual income taxes increase by 4½%; and (4) cooperation will be forthcoming in preventing expenditure increases and receipts reduction. Mr. Brundage ascribes to government a larger role in economic affairs to help free enterprise grow and to modulate the business cycle. Debt reduction out of surplus is advised so long as the economy is booming.**

My subject is a timely one. It is the season of the year when we are all thinking of budgets and tax payments. The President in his Budget Message to Congress in January presented a balanced budget, both for the fiscal year 1956 and fiscal 1957. Of this we are rightly proud and we are going to work hard to keep it balanced.


Percival F. Brundage

The encouraging budget outlook arises from a favorable combination of factors involving both receipts and expenditures—substantial reductions in government expenditures during the past three years, plus a significant increase in revenues as the result of our unprecedented prosperity.

In both budgets the estimated receipts are based on a continuation of all taxes now in effect. The expenditures are based on a continued strengthening of our military position and some expansion in desirable domestic programs, with reductions wherever possible, without prejudicing their success.

### President's Goal

The President's main objective has been, and still is, the attainment of a just and durable peace so that the resources of the world can be directed to building a better life for all people. We are confident that those living in the Soviet Union and the other countries under its domination are just as anxious as we are to achieve this objective. But until we see some tangible evidence of a willingness to disarm that can be verified by adequate inspection, we must continue to strengthen the defenses of the United States and its allies.

The free world must remain strong enough to deter possible aggressors. While we are steadfastly seeking all possible ways of making further progress towards peace, we are of necessity pressing the development of new weapons and adapting new technologies to our defense needs.

### Administrative and Cash Budgets

In the Budget Message of January a year ago, the administration indicated that a deficit of approximately $2.4 billion was expected in our administrative budget and a surplus of half a billion in the cash budget. The administrative budget is that commonly referred to as the United States Budget which excludes receipts and expenditures of the trust funds. The cash budget consolidates social security and other trust funds and therefore reflects the flow of money between the public and the Federal Government. We now estimate a slight surplus for the 1956 and 1957 administrative budgets and consolidated cash surpluses of $2.4 billion in both years.

I am going to deal first with our estimates of receipts and the assumptions underlying them and then discuss the principal programs on which our expenditure estimates are based. Our budgeted receipts are estimated as follows:

| | 1956 | 1957 |
|---|---|---|
| | —Billions— | |
| Individual income taxes | $33.6 | $35.1 |
| Corporation income taxes | 20.3 | 20.3 |
| Excise taxes | 9.9 | 9.9 |
| Others (less refunds) | .7 | 1.0 |

The Treasury is estimating an increase in personal incomes of 3% between the calendar years 1955 and 1956 and in individual income taxes of about 4½% between fiscal 1956 and 1957. Total corporate profits are expected to remain at approximately the same over-all level in calendar 1956 as in 1955, although an increase in volume of business is to be expected and increases in profits in many industries. Keen competition in other industries is expected to reduce over-all business profits somewhat in their relation to sales. Excise and miscellaneous receipts less refunds are expected to rise 3%. The Federal Government is in effect acting as a collection agency with respect to part of the tax receipts which are turned over to the States for various purposes which are set forth in the Budget Document.

### National Debt Size

Our present national debt, as you know, is limited to $275 billion, except for the seasonal increase of $6 billion allowed by the Congress with the proviso that we must be back within the $275 billion debt limit by the end of the fiscal year, June 30. At the beginning of the current fiscal year, June 30, 1955, our debt amounted to $274.4 billion, which included $500 million of old issues not subject to the debt limitation. We estimate that the total debt should be about $100 million less on June 30, 1956. This is, of course, a very slim margin, insufficient to allow any reduction in taxes if we are to keep within the statutory debt limit.

The President, I know, feels as strongly as any of us that our level of taxation is too high to be continued indefinitely without detrimental effects on the growth of our economy. But this is not the time to make a tax cut. A sound management of our government's finances would prevent us from spending more than we earn in a period of such unparalleled prosperity. The tax cut in 1954 was made possible by our large reductions in spending and was particularly appropriate during the transition to a peacetime economy. This tax cut benefited every taxpayer in the country and helped to build up our economy, to make jobs in industry, and to improve the standard of living for the overwhelming majority of Americans.

Today our national economy is booming. We believe that whatever surplus we have should be used for retirement of the debt.

### Tax Cuts

The corporate tax rate is scheduled to decline 5 percentage points from 52% to 47% of taxable income as of April 1, which would involve an annual loss to the Treasury of something over $2 billion. The revenue from excise taxes is also scheduled to be cut approximately $1 billion on an annual basis. It will be necessary to again postpone these reductions for another year to achieve a balanced budget.

You will recall that the Democratic majority of the House passed a tax bill incorporating reductions in individual taxes last year allowing a $20 tax reduction for each exemption. But Congress eventually accepted the President's tax program.

From an economic as well as a financial point of view, it is desirable to have as wide a tax base as possible. We now have approximately 59 million income taxpayers. This means that practically two-thirds of all of our families have a personal experience which brings home the stake they have in operating the Federal Government. This has a more significant impact than sales taxes, admission taxes, and other excise taxes added to the cost of merchandise and services.

Our revenue this year and next is at a high level and the amount of the surplus available for debt reduction and later on for tax cuts, if and when feasible, will depend primarily on the level of our expenditures. You taxpayers therefore can do more to reduce your personal and business taxes by helping to reduce the cost of government than in any other way.

One's individual tax savings merely minimize the burden on one taxpayer but do not reduce the total need for revenue. Each of you should consider what kind of government you want, and what are the programs you are willing to pay for. Are you willing to do without some of the services which you have received and come to expect from government in order to cut the cost of government?

It is, of course, one of our primary objectives to operate as efficiently and economically as possible. This administration has been working at reducing unnecessary expenses continually since President Eisenhower took office in 1953. We are thoroughly committed to every possible economy and reducing to a minimum those government activities particularly which compete directly with private enterprise. But this means closing offices, cutting staffs, and liquidation of government-run commercial businesses. Whenever we take such steps, we seem to be immediately deluged with complaints and receive very little general support. It has been surprising to me how widespread has become the philosophy to rely on Uncle Sam to do it.

Employees who have been working for the government seem to object to the termination of a commercial-type operation, even if it would turn production over to private industry which is currently seeking employees in the same labor market. We have been telling the world for years about the advantages of our free competitive enterprise system. We should certainly have the courage to practice our beliefs, and you taxpayers can help.

### Role of Government

The President said in his Economic Report, the demands of modern life with the continuing threat of communistic Russia require a much higher level of taxes and a larger role of government in economic affairs than suited earlier generations. This imposes a certain responsibility on the government to help keep the private economy strong and growing. We must do what we can both to aid free enterprise to develop and to stimulate bolder economic actions which will improve the economic security of all of our citizens.

It is most significant that our recent rapid business expansion has been carried through by private citizens and is not due to increasing expenditures by government. Between the second quarter of 1953 and the final quarter of 1955 the annual rate of Federal spending on goods and services declined by $15 billion, while spending by the rest of the economic community increased by $43 billion. Thus, within the last 2½ years a substantial transformation of our economy has occurred. Americans have taken the initiative, made jobs for each other instead of depending on the Federal Government to do it for them.

But we must recognize that the very qualities of Americans which account in large part for the expansive capacity of our economy, also tend to make its growth somewhat irregular in tempo. The rates at which goods are produced and are consumed are rarely ex-

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*An address by Mr. Brundage before the New York State Chamber of Commerce, New York City, March 1, 1956.

# Investment Allocation Technique For Commercial Bank Deposits

By ROBERT W. STORER*
Vice-President, Manufacturers National Bank of Detroit

**Detroit banker offers an asset allocation analytic investment technique for commercial banks wherein liabilities are divided according to their characteristics and offset by their appropriate assets. Mr. Storer: (1) foresees mortgage formation outrunning savings deposits growth and displacing Treasury obligations or other bonds; (2) believes consumer loans should be matched against demand—and not savings—deposits; and (3) predicts return of spread between long and short governments. Notes that the time to lengthen government maturities for future appreciation occurs when level yields of a depressed market exist but that is when boards of directors are least prone to permit prospective yield improvement switch.**

I'm sure that you don't expect me to explain any magic formula for investing your savings deposits—a formula which would accurately take into account the wide and numerous differences among institutions. What I will do, instead, is to present one out of many possible analytical approaches to the problem, an approach which is probably already familiar to many of you by one name or another. Such an approach can be applied by each of you to the problem of your own unique and individual bank in the light of the many controlling conditions with which you are familiar.

Robert W. Storer

## Commercial Bank Purposes

An assumption which underlies my entire approach to this bank investment problem is that a commercial bank is in business for three purposes: first, to accept and pay out deposits; second, to make sound and needed loans in its banking community; and third, subordinate only to the first two, to earn as much profit as it possibly can for the stockholders who own the business, consistent with the two prior objectives. If this last and often under-emphasized objective didn't exist, bank investing would be much less of a problem. A policy of unthinking over-conservatism through heavy investment in short securities would, in most cases, suffice to show some earning power. But I don't believe that this is the spirit of the free enterprise system.

The final point in this introduction is a statement that investing of time and savings deposits doesn't go in a vacuum—it is part and parcel of the process of investing all of the assets representing the deposits and the capital funds of the bank. Therefore, the analytical approach, which is the main topic of this talk, must necessarily include in its framework the application to demand deposits and to capital funds, as well as savings deposits. But I will emphasize the application to savings deposits and will discuss some of the problems and trends of this part of the operation.

*An address by Mr. Storer before the Regional Savings and Mortgage Conference of the American Bankers Association, Kansas City, Mo.

## Asset Allocation

So much by way of introduction. Next, we'll outline the particular analytical approach, which I call "Asset Allocation." The principle involved is simply that your bank liabilities differ in characteristics. They can be divided into several classifications according to these characteristics.

Every such classification of liabilities should be balanced by a set of assets which are appropriate. The basis of classification of liabilities is the rate of turnover or change, the likelihood that deposits will increase or decrease. As a convenient procedure, we use three classifications: demand deposits, savings deposits, and capital funds, the latter consisting of your capital stock, surplus, and undivided profits, plus voluntary reserves. Demand deposits are the most volatile; they rise and fall further and faster than do savings deposits. Therefore, the bank assets which balance with demand deposits should be shorter in maturity, or more marketable, than those which are allocated to more sluggish savings deposits. The capital funds, which are the stockholders' permanent equity in the business, normally change very slowly and almost invariably increase. Hence, the assets offsetting these liabilities can be the longest in maturity or least marketable owned by the bank.

Of course, investments are not the only important assets in the bank. There is cash, on which you earn nothing, and which you want to keep at a minimum safe level. There are loans, which supplement your bonds, because you invest only what funds you don't lend. If you're well loaned up, you don't have many investments. If those loans are long, or a little thin as to quality, then your investments should be relatively short maturity, high quality, and marketable. The greater the risk on your loans, then the less risk you should be taking in the particular assortment of bonds that you own. These are some of the more basic tests of what are appropriate assets to allocate against your various classes of liabilities.

All this will be much clearer if we can see a concrete illustration as seen in the accompanying four exhibits concerning the Bank of Jonesville. This title was picked because I have never been able to find a bank with this name; but if one is represented here today, I apologize. The Bank of Jonesville is, in fact, a statistical abstraction, created by applying to assumed footings of $6 million the percentage breakdown of assets and liabilities, as of Dec. 31, 1954, reported to the Federal Reserve Bank of Kansas City, by all the members banks in the Tenth Federal Reserve District having between $5 million and $10 million in total deposits. The figure of $6 million was chosen as typical of many medium-sized banks with which you individually would be familiar. This composite Bank of Jonesville, therefore, should be within shooting distance, in its details, of a rather large number of banks in this District.

As you will see on inspection, Exhibit A is simply the statement of condition for the 1954 year-end. Exhibit B makes use of the same figures, but presents them in the form of an asset allocation, with the help of some assumptions. The Federal Reserve figures throw no light on what the breakdown of Treasury or other bonds might be, and I have therefore supplied these details according to what I would consider good practice in the light of the available information.

You will note from this Exhibit B that I have subdivided the Bank of Jonesville into three sub-banks, a General Bank of demand deposits, a Savings Bank, and a Capital Funds Bank, each one with assets and liabilities in balance. If I knew more about the details of the demand deposits, I might have set up a fourth classification, such as U. S. Treasury Tax and Loan Account, to be covered almost entirely with cash and Treasury bills.

## Demand Deposits Assets

The point to be emphasized and noted is that demand deposits, which vary further and faster than savings, have allocated to them a higher percentage of the quicker assets, such as cash, short maturity investments, and commercial loans. We allocate to each of our sub-banks only as much cash and due from banks as reserve requirements plus our own experience indicate is necessary for it to stand on its own feet. In any event, that will be a lower percentage for savings than for demand deposits — in this case, 10% compared with 25%. When you look at the Capital Funds Bank, however, you note that cash equivalent to 58% of the capital funds was allocated there. Why? Because after providing reasonably for the cash needs against demand and savings deposits, that statistical average, the Bank of Jonesville, actually had that much cash left; and it had to go somewhere. Putting that excess cash down against capital funds helps to flag it as being excess. All or most of it should, therefore, be put to work. If there is little prospect of an increase in loans, it should be invested in bonds, and preferably rather long bonds, out towards 10 years—mostly Treasury obligations, of course.

The remaining assets allocated to Capital Funds are, as you will note, some of the longest term bonds owned, together with the real estate and miscellaneous assets.

## Savings Deposits Assets

Now since our particular interest is in the savings deposits and the assets held against them, let's take a closer look at the Savings Bank in Exhibit B. You will see mortgages there, equivalent to 42% of total savings deposits, this being the national average percentage. In this district, this may not be a typical percentage. Mortgages, which are the longest class of loans normally made by banks, obviously belong with savings deposits, just as the shorter commercial loans belong with demand deposits, as naturally as ham and eggs.

The longer portion of the municipal bond account will also be allocated against savings, since a bank should generally plan on holding such bonds to final maturity, and should avoid the risk of being forced to sell these, or any other, bonds of several years' maturity. These represent about a quarter of the savings funds, and U. S. Treasury bonds of between five and 10 years are a little over a fifth of such deposits. At a time of insistent demand for mortgage money, probably there should be some Treasuries of a year or less, to be liquidated if the mortgage demand continues intense.

The basis of operation, as you can readily see, is that each of the sub-banks is set up to stand on its own feet, independent of the others, so far as possible. Of course, in reality, the Bank of Jonesville is just one bank, as you and I know. But it helps the practical administration to analyze it as though it consisted of three or more banks. It confuses the administration of the funds to have the Savings sub-Bank "borrowing," so to speak, short investments from, say, the General Bank of demand deposits, simply because it didn't have enough liquidity of its own. Of course, an investment will in time shorten in maturity and become suitable for allocation to demand deposits, instead of to savings deposits. That shows up in an asset allocation and is a useful reminder to lengthen the average life of the bond account.

Obviously, with such an approach as this Asset Allocation, a bank with savings accounts of only 17% of total deposits will have somewhat different investments from one with, say, 40%; and that seems to make common sense.

As the next major topic to cover, we may ask ourselves what factors seem likely in the future to influence the amounts of vari-

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# Investing for Pension And Profit-Sharing Trusts

By ARTHUR L. COBURN, JR.*
Vice-President and Chairman, Trust Investment Committee
Old Colony Trust Company, Boston, Mass.

**Investment authority emphasizes merits of a well-balanced portfolio and reveals the continuation of the 1955 curtailment of new stock investment into the pension and profit-sharing trusts he directs. Besides listing 12 criteria used in determining better stocks, Mr. Coburn, Jr., points out that: (1) there is more income when there is more principal; (2) there should be more generous prematurity redemption features; (3) trusts should include non-security investments and growth stocks; (4) investment is made for long and not short run considerations, and (5) common stocks are not the answer to all the problems of the benefit-plan investor.**

I have been asked to express some of my investment philosophy. I shall do so with a great sense of humility, for investing is a mighty humbling profession.

Some of you who are investment men will be unhappy if I only generalize. Accordingly, I shall end up with some specifics.

First of all, however, some definition of my topic is essential. The one word "investing" is what I am going to talk about. I do so because I think, within limits, that what is good investing is good investing, no matter what the type of account may be and no matter who the life tenant and who the remainder interest may be.

Handling variances of problems is the essence of investment trusteeship. Every account is different. I must speak broadly, however, of what might be termed unfettered accounts.

There is more than one way of investing successfully. Being consistent is not always easy, but having a general program for a given account and fitting individual moves into it seem to me of some importance.

Investment philosophy is a pretty personal thing, not the same as investment policy and, therefore, not easy to transfer from one person to another. Thus some of my remarks express only my personal views, not fully shared even by all my associates in the Old Colony Trust Company and The First National Bank of Boston. If I speak of one type of investing, I nevertheless respect other choices of program, and I admire all favorable investment results.

I shall make some statements in a way that will make them sound like conclusions not to be disputed. Such presentation gives emphasis. Please remember, however, that I presume in some instances a 90 to 10 percentage chance that my conclusion is correct, while in others my conviction may be no stronger than 55 to 45 that I am right.

### Investment Objective and Balance

I am going to assume that all investors have the common objective of achieving the best combined principal and income result. For some, income considerations will dominate at a given moment; for others, capital appreciation is the primary goal. In a pension trust more than in many other types, principal and income may singularly be considered as one whole. Generally speaking, there tends, over a period of time, to be more income where there is more principal. The trustee, however, will strike a balance between principal and income considerations. In my own office, we prefer a well-hedged position which maintains flexibility, so that we may act as the market dictates and not try to dictate to the market what it shall do. That we are long term investors rather than active traders will be evident when I tell you of the relationship of market values to acquisition values of our 10 largest common stockholdings. A recent calculation (at Dow-Jones 478) showed for this group aggregate market value of over $375 million, which was 317% of the acquisition total of $118 million.

### Bond Investment

I am going to do the matter of bond investment the injustice of covering it very briefly. In a nutshell, my philosophy here calls for a spread-maturity pattern, varied from time to time. I have a distinct leaning toward bonds of a quality to average nearer Aa than A rating. I want a good yield differential on a private placement as against a public offering, a similarly reasonable spread on corporates against noncallable Governments. The time has now come when I believe that buyers are entitled to more generous prematurity redemption features.

I shall do no more than mention that mortgages, leased real estate, oil contracts, and other nonsecurity possibilities must today have investment consideration.

### Preferred Stock Investment

My organization uses preferred stocks but little. Under today's market conditions, however, we recognize their merits, especially where a good yield is being sought. While it is of no direct benefit to a pension or profit-sharing trust, the tax shelter to others (the corporate buyer and more recently the individual buyer) in preferred dividends (as compared with interest from corporate bonds) has somewhat improved the fundamental position of preferred stocks.

### Common Stock Investment

In the field of common stock investment, the following ideas are based largely on my own experience in investing, over some 30 years, for many individuals and institutions.

I am convinced that stock investments are better made on the basis of judgment of the long term rather than the immediate future: judgment as to what earnings and dividends may be three years rather than three months away. Such an approach tends to stress value or quality, to subordinate price. It readily disclaims ability to achieve perfect timing. It avoids what I term "ticker-tape entanglement." To the extent that judgments are based on the weighing of probabilities and not possibilities, there can be peace-of-mind while quotations fluctuate, just as they have in the past. The 2% to 3% long term growth of the nation's economy is a firm foundation for investment that scans distant horizons. The long view often surprises in bringing favorable nearby results.

Common stocks, in general, I divide into two categories: growth stocks and special situations. We could easily spend the next 24 hours in defining these terms. For me to begin to do so would be an error. Suffice it to say that a growth stock is that of a company, in an expanding industry, which is sufficiently well managed to retain in the business that proper proportion of earnings which will better serve the investor, per share of the stock held, than would a larger current dividend. A special situation is any other stock. (Cyclical, defensive merger prospect, etc.) Our office uses both. My personal bias is in the direction of growth stocks. We like those indefinable "blue chips."

Each of my two broad categories divides into the same two parts: those that succeed and those that do not. I urge avoidance of the latter.

Seriously, though, we must look ahead, without benefit of hindsight. How may we, with as few errors as possible, ferret out really high grade values in particular stocks to fit into well conceived investment programs?

Here are a few vastly oversimplified observations:

(1) Management is about a 90% determinant of success, industry about 9%, everything else the balance.

(2) Price-earnings ratios reflect what the market place thinks of management and of industry prospects.

(3) Financial reports are an imperfect measure of management ability. Selection of winning industry prospects requires one to be industrialist, scientist, economist, and whatnot.

(4) Stocks that characteristically sell at high price-earnings ratios are preferable to those with low ratios. What other people think of an issue is important.

(5) Earnings are more important than dividends; future earnings and future dividends more important than present earnings and present dividends.

(6) Broadly based enterprises have fewer pitfalls for investors than do specialties.

(7) Businesses free to set their own price levels have an edge on regulated industries.

(8) No investment is perfect; all judgments are relative.

(9) Were judgement itself perfect, we would put all our investment eggs in the one best basket. Diversification to the extent of splitting a stock investment two ways would reduce average quality. Admitting the necessity of protecting against the errors of human decision, I question that use of more than 40 issues, no matter how large the fund, improves protection at all. Excess diversification invites carelessness.

(10) Be aggressive—never fight a defensive war in common stocks. Recognize the risks inherent in such investment. If they are too great to undertake, invest in other fields.

(11) Watch your capital exposure. Two lists that have performed equally well in the past may have widely different prospects of successfully facing the future.

(12) Set your investment sights high. Do you realize that an original $2,000 compounded at 75% seven times becomes more than $100,000 — that $20,000 becomes more than $1 million?

### The Present Situation — Policy

Now let us get back to the matter of pension and profit-sharing trust investment.

I have already indicated that, to be good for the employer, investment must also be good for the employee, and vice versa. That being the case, investment of the pension trust of one employer and of the profit-sharing trust of another might be the same, if only investment considerations were involved. At this point, however, there arise questions of ability to continue contributions (has the profit-sharing trust received the last money that can be expected for a long time?), as well as questions of different age-spreads of beneficiaries, variable vesting provisions, different employee compensation bases, prospects of increased benefits, etc.

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*An address by Mr. Coburn, Jr., before the Trust and Profit-Sharing Conference, sponsored by the Trust Division of the American Bankers Association, New York City.

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# Investing for Pension And Profit-Sharing Trusts

These few samples again illustrate the custom-made nature of any trust fund. I narrow my discussion to two basic investment patterns that the Trust Function of Old Colony Trust Company and The First National of Boston has used in pension and profit-sharing trusts.

In a few cases, by request, we have followed the same procedure as in many of our Massachusetts probate trusts: 50% bonds and 50% common stocks. This you will recognize as a base only, applicable to book values, which are normally acquisition values. Naturally this has meant a larger proportion of common stocks at market values as a direct result of price advances over recent years. Where the discretion has been ours, we curtailed, over a part of 1955, the amount of incremental money that was put into common stocks, depending on the ratio of such money to the existing fund in each case. In general, accounts in this category might have been at 65% or so in stocks, and we did not stop buying, but reduced to a level of putting from one-third to two-thirds of the "normal" stock money into new purchases. This diluted book value proportions in stocks, while further market appreciation tended to push the market value proportion still higher.

More of our accounts, where discretion is in our hands, have had a basic 30% common stock investment. Many of you know that we published, several years ago, a little booklet titled "Should Common Stocks Be Used in a Pension Fund?" setting forth our 30% policy. This too, applied to book value, and to new contributions, until many of these accounts, through appreciation of stock values, grew to have from 40% to 50% of market values in common stocks. In 1955 we began to temper the investment of new money in common stocks, just as with our higher based accounts previously mentioned.

On the first business day of 1956, having behind us the immediately previous record closing level of 488.40 for the Dow-Jones industrial stock average, our Trust Committee accepted the recommendation to slow to a walk our further purchase, for an uncertain and indefinite time, of common stocks for many of our employee-benefit trusts. This was not as extreme a step as it may sound, for in our personal trusts we have not, in general, been buyers of common stocks for many months past. In fact, we have been "nibbling" sellers from time to time as the market has advanced, even though gains taxes have been involved.

For pension trusts we shall continue to buy some stocks where the funds are to grow substantially and, especially, where less than 35% of market value is in commons, so that there is ample basis for dollar averaging. We may be wrong to make any curtailment in other trusts. On the other hand, we may terminate the slowdown at any time. In any event, we believe we should not abdicate the exercise of judgment.

Besides common stocks, we continue to buy distributed maturities of good quality bonds—including a fair sample of United States Governments — limited amounts of mortgages (both guaranteed and conventional) and leased real estate; and, for some accounts, a modest amount of preferred stocks.

As a last word on policy, let me warn that the common stock is not the answer to all the problems of the benefit-plan investor. The investment man, as well as the actuary, must be interested in such things as valuation problems, with which many of you are acquainted, but which it is not my place to discuss here. In this connection, there are to be considered, also, the relative merits of realized gains and unrealized gains as they may affect ultimate beneficiaries as well as contributing employers or employees. There are no short answers, as might be illustrated by the different situations of two companies for whom we are pension trustee. One happens to operate in oil, and it is drilling so heavily and has such a tax situation that its stockholders are well served if its current contribution for pensions be reduced to a minimum. The second, and today more typical, corporation seeks to make maximum contributions under existing conditions. The pension trustee is somewhat in the middle. He derives a great feeling of comfort from the cushion of unrealized gains. At the same time, he knows, as an investor, that he will wish, probably sooner rather than later, to realize gains for the very reason of improving his trust by keeping its investments up-to-date. This taking of gains, in the long run, will prove gratifying to the tax collector to the extent that the actuary finds reduced the amount of tax-exempt contribution that an employer may make. Meantime, all that the beleaguered pension trust investor need do is keep on grinding out profits, but never, never incur a loss. I wish it were as simple as it sounds, whether the tools be common stocks or government bonds.

### The Present Situation —Investments

How often we hear the equivalent of "Any one can buy bonds; but what stocks do you now suggest?" This passes over much too lightly the problem that has just been tormenting me: "When and under what circumstances and to what amounts should common stocks be used at all?" At the same time, it eliminates any need to be specific regarding fixed-income and preferred stock selections.

I am sure that most investment men—and ladies—would include chemical, oil, and electrical equipment shares in a common stock portfolio. In my case, the three largest investments in my list would represent these groups. They would be du Pont (or Christiana); Standard Oil (New Jersey); and General Electric, which respectively (omitting Christiana) yielded in 1955, on the basis of Dec. 30 prices, 3.03%, 3.45%, and 2.77%. Looking backward, we find that, over five years, the respective appreciation of these stocks was 175%, 232%, and 248%. Their dividends (per adjusted share) from 1950 to 1955 rose 31%, 111%, and 26%. The 1955 dividends, related to price at the end of 1950, gave a yield of 8.33% for du Pont, 11.48% for Jersey, and 9.66% for G. E. This is beginning to give the patient holder a pretty satisfactory rate of compounding. Then, looking ahead, we find General Electric starting off this year with a dividend rate 25% above 1955. Jersey conceivably may raise its rate after its stock split. Sooner or later, too, du Pont may both split its stock and increase its dividend. We still like these three stocks. Have your average holdings done any better? Will they do any better?

Now let us short-cut to a total list of 20 growth stocks, but let us stop naming names. We come up with 3 chemicals; 3 oils (2 internationals, 1 domestic, and all integrated); and 1 each in the classifications aluminum (north of the border), business machines, electrical equipment, merchandising, paper, and photographic. Three other industrials defy classification: a glass slanted to building, automobiles, and chemicals is one; a glass slanted to bulbs, tubes, and electronics is another; a dealer in Scotches (solids, not liquids), fluorides, etc., is the third. Two insurance stocks (with different investment policies and different views on fighting their battle with our merchandiser), two utilities, and one bank stock (New York) complete our list of 20.

I hear some one from the back of the room fairly shouting, "What do they yield?" The answer, assembling the list as I would now suggest and looking backward (Dec. 30, 1955, prices against 1955 dividends paid), is 2.50%; looking forward (the same prices against currently and conservatively indicated dividends) is 2.69%. I shall be disappointed if actual 1956 yield does not prove to be near 3% (based on the Dec. 30, 1955, prices). However, a yield as low as 3% on my growth stock portfolio shows why we use "special situation" stocks also. For the hedged position and the steady compounding of the income factor alone, a stock like American Telephone cannot be overlooked. Among issues commonly considered cyclical, General Motors has habitually paid a good dividend, and its principal performance has been mighty satisfactory.

Remember, in any event: $20,000 compounded at 75% seven times becomes more than $1 million. Where principal is, there also may income be. The portfolio well balanced between bonds and stocks has great merit.



## Arthur Robinson With Wertheim & Co.

Arthur R. Robinson

Arthur R. Robinson has joined Wertheim & Co., 120 Broadway, New York City, members of the New York Stock Exchange as manager of the municipal bond department. Mr. Robinson was formerly a partner in Anderson & Strudwick of Richmond, Va.

## Kuhn, Loeb Places Equipments Privately

The General American Transportation Corp. on March 1 announced that it has sold through Kuhn, Loeb & Co. to a small group of institutional investors, $15,000,000 principal amount of its equipment trust certificates, series 56. The certificates bear dividends at the rate of 4% per annum and will mature serially in equal quarterly instalments to and including March 1, 1976.

The equipment covered by the Trust consists of 1,592 new railroad freight cars.

## Joins Scherck, Richter

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — William B. McLaughlin has become affiliated with Scherck, Richter Company, 320 North Fourth Street, members of the Midwest Stock Exchange.

## Bache Adds to Staff

Bache & Co., members of the New York Stock Exchange, has announced that Blatchley C. Smith has joined their midtown branch office, located in the Chrysler Building, as a registered representative.

The firm has also announced the appointment of the following registered representatives in their branch offices: Orlie D. Landis, San Antonio; Martin M. Marsten, Washington, D. C.; William P. Brown, Philadelphia; Walter P. Mullen, Lawrence H. Hoerres, Howard B. Gordon, and Philip R. Baus, Beverly Hills, and Francis A. Law and Helen McCleary, St. Petersburg.

## E. R. Breech Director Of Lehman Corp.

Ernest R. Breech, Chairman of the Board of Ford Motor Co., has been elected a director of The Lehman Corporation, it was announced by Robert Lehman, President.

Ernest R. Breech

Mr. Breech joined Ford Motor Co. as Executive Vice-President in 1946 and was elected Chairman of the Board of Directors in 1955. He has had a key role in the organization of Ford's new management and the direction of the company's operations during the postwar period.

Before becoming associated with Ford, Mr. Breech was President of Bendix Aviation Corp. Earlier, he had been a Vice-President of General Motors Corp. and President, and then Chairman of the Board of North American Aviation, Inc.

The Lehman Corp. is one of the largest closed-end investment companies with assets of more than $230,000,000. The corporation was founded in 1929 by the investment banking firm of Lehman Brothers. The stock of the corporation which is listed on the New York Stock Exchange, has paid a dividend in each quarter starting in 1930.

Directors of the corporation include certain of its officers and partners of Lehman Brothers and other men who have played important parts in the financial and industrial development of the country.

## N. Y. Hanseatic Wire to Straus, Blosser Firm

New York Hanseatic Corporation, 120 Broadway, New York City, announces the opening of a direct private wire to Straus, Blosser & McDowell of Chicago, Ill. William A. Sholten of Chicago continues as Midwest Representative of their Bond Department.

## With A. G. Edwards

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Alfred B. Salland has been added to the staff of A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges.

# From Washington Ahead of the News

By CARLISLE BARGERON

The opposition to Vice-President Nixon is quite different from that which caused President Roosevelt to cast Henry Wallace aside when he was running for his fourth term. The opposition to Wallace came from the party leaders who were reasonably certain Roosevelt could not live out another term.


Carlisle Bargeron

In Nixon's case the party leaders generally are for him, that is to say, the Republican National Committeemen and State Chairmen. He speaks their language, he is a fighter, he carried the brunt of the Congressional campaign in 1954. With Eisenhower intending to make a very limited campaign this year, somebody like Nixon will be sorely needed to do the whistle-stopping campaign for the candidates for Congress and the Senate. A great majority of Republican Congressmen and Senators are for him.

Paradoxically, if he is shunted outside, the greatest resentment will be felt among the Taft wing of the party, although Nixon is not of that wing. Senator Knowland, heretofore looked upon as an implacable enemy of Nixon, now, with his own chances for the Presidency gone, has tacitly gotten behind Nixon for second place on the ticket again.

The opposition to Nixon from within the party comes from a small group of Easterners, some of whom are not professional politicians but are more or less cronies of the President. They are bowing to the clamor of the left-wingers who under no conceivable circumstances will vote for Eisenhower. This relatively small group of Presidential advisers is convinced the President will win again easily but they want it to be as easy as possible.

What they don't realize, and what the nonprofessionals of the group don't really care about, is that in their desire for a coast-in campaign for their hero, they are overlooking the chances for a Republican Congress. They are also running a serious risk among countless Republican voters in bowing to the left-wingers. These Republicans, generally blanketed under the so-called Taft wing, feel Eisenhower has given entirely too much ear to them as it is. For him to ditch Nixon in response to the left-wing demands would likely fill them with complete disgust.

And the left-wing would still have an issue. They will point out that Mr. Eisenhower, whose record relies to a larger extent than usual on his ability to select good men around him and delegate authority, picked Nixon in 1952. To shunt him aside now would be an admission that he was wrong. The fact remains, too, that if anything were to happen to incapacitate Eisenhower in the next few months Nixon would become President. In that event, to accept the left-wingers' contentions, Eisenhower would have inflicted a grievous wrong on the country, as Roosevelt certainly would have, had he not gotten rid of Wallace in 1944.

There is very little indication of what the President has in mind about Nixon's again being his running mate. His statements upon the occasion of his press conference announcement that he would run again, can be taken both ways. At that time the President again voiced his great admiration for Nixon, both personally, and as a Vice-President. But he said he thought any decision about the Vice-Presidency should wait until after the Presidential candidate has been named. He could easily have said, of course, that in the event of his renomination, he would like to have Nixon running with him again. On the other hand, there is merit in what he did say. Furthermore, had he selected Nixon then and there, the Vice-President would be in for a very unhappy time from now until the question is decided, not that his path is to be one of roses as it is.

A lot of the attacks upon Nixon are nauseating, particularly the professed indignation over his recent reference that the Supreme Court under "a great Republican Chief Justice," had outlawed segregation in the schools. These same voices that profess to be shocked at the reference to the Chief Justice as a Republican are the ones that have been pushing him for the Republican Presidential nomination in the event Eisenhower didn't run again.

You can bet your boots that this Supreme Court decision will be shouted from the housetops by Republicans throughout the campaign in an effort to get back the Negro vote on which, before Roosevelt, they so largely depended. The chances are, too, they will get this vote back.

## NYSE Announces Official Appointments

Keith Funston, President of the New York Stock Exchange, has announced the appointment of Edwin D. Etherington as Assistant Secretary of the Exchange.

Mr. Etherington was formerly with Milbank, Tweed, Hope and Hadley, counsel to the Exchange. He is a graduate of Wesleyan University and Yale Law School. His appointment will free John R. Haire, Secretary of the Exchange, to assist the President in maintaining liaison with governmental agencies.

Mr. Funston also announced the appointment of John H. Kirvin as Vice-President and Francis W. Curran as Assistant Secretary of Stock Clearing Corporation, a Stock Exchange affiliate.

Mr. Kirvin succeeds L. J. Cassidy, who retired. Mr. Kirvin came to the Exchange from RCA Communications, Inc. He was graduated from the Graduate School of Business Administration, New York University, in 1953.

Mr. Curran joined Stock Clearing in 1920. He is now Manager of the Exchange's affiliate.

## Two With Edward Jones

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Vlatko S. Kurelic and J. Vernon McCarthy have been added to the staff of Edward D. Jones & Co., 300 North Fourth Street, members of the New York and Midwest Stock Exchanges.

# Public Utility Securities

By OWEN ELY

## Tampa Electric Company

Tampa Electric is the third largest electric utility in Florida—its annual revenues of about $22 million being somewhat over half those of Florida Power Corp., which in turn is about half as big as Florida Power & Light. The company serves the City of Tampa and adjacent areas—some 1,700 square miles or about 3% of the State total. The area has an estimated population of 420,000 or about 11% of the total for the State.

Tampa belongs in the select group of ultra-rapid growth utilities. Electric revenues have increased over six times since 1927, and in the past decade have more than tripled. Florida is the third fastest growing state, Nevada and Arizona ranking first and second and California fourth. By 1965 Florida is expected to move from 16th to 10th largest state, with a population of nearly five million. Tampa's customers should double in this period and the electric load is expected to quadruple.

All consumers are served from the transmission lines of the company, except those in Pasco County—for whom power is purchased from Florida Power Corp. Three interconnections are maintained with the latter company, one on the west and two on the east. Interconnections are also maintained with Florida Power & Light Company on the south.

The principal industries in the service area include the raising of citrus fruits, strawberries and vegetables, phosphate mining and processing, the manufacture of cigars, cement, containers and clothing; cattle raising, dairying, fishing, and the tourist business. The citrus industry has shown an increase of about 30% in the last five years, and this year the U. S. Department of Agriculture estimates Florida's crop at 135,000,000 boxes. Constant experiment is under way for the development of by-products from citrus peel, pulp, and seeds.

Tampa is the country's main center for the production of cigars, with an output last year of over 700 million. There are some 5,500 employees connected with this industry with an annual payroll of about $15,000,000. Manufacture of containers and cans is closely allied with the cigar and citrus industries. Fifteen million boxes were manufactured for cigars in 1955 and over two billion cans for citrus concentrates and juices.

The area includes the nation's largest producers of phosphate; Florida's annual production of prosphate rock represents three-quarters of the U. S. total and has a value of over $55 million. It is used in the manufacture of fertilizer, sugar juices, jellies, preserves, beverages, medicine, rust-proofing compound, baking powder, self-rising flour, boiler scale compounds, and many other products. Most recently, phosphate-derived insecticides have yielded excellent results.

Farming is also important in the Tampa area. Hillsborough County (with 4,500 farms valued at $25 million) is the first County in Florida in the production of dairy and poultry products. Plant City is known as the strawberry capital of the world, and Ruskin as the "Salad Bowl." The value of cattle in the area is estimated at $168 million—most of the problems facing the cattle industry have been overcome in the past five years. Fresh and salt water fishing is also important—a fleet of 300 shrimp boats make Tampa their home port, bringing in $7.5 million worth during the year. Tampa is also Florida's leading port, with ship repair and dry dock facilities.

Tampa Electric's generating capacity is concentrated in two plants—65,000 kw. in the Knight Plant and 235,000 kw. in the Hookers Point Plant, where 75,000 kw. was installed last year. The new Gannon plant is also under construction, with the first unit of 120,000 kw. scheduled for 1957 and a similar unit for the fall of 1958. Ultimately, the Gannon Station may reach 840,000 kw. making the company's total capacity nearly four times the present figure. This plant will burn coal, Tampa being the first utility plant in Florida or around the Gulf Coast to burn this fuel. The company has a 20-year contract for coal at a firm price, with a maximum escalation of 20%.

In addition to vigorous load-building efforts with promotion of the usual appliances, the company is vigorously pushing the Heat Pump which is ideal for heating-cooling in this area. There are already 300 pumps on the system and a large increase is expected this year.

The company expects to spend about $13 million for new construction this year, and will probably raise some $10 million by sale of mortgage bonds.

Tampa's rates are among the lowest in the state with the exception of Pensacola. The 1955 return on investment (calculated according to the theories of the State Commission) was 6.2%. The Commission is following a flexible policy with respect to regulation, and recognizes the necessity of financing the rapid growth of utilities in the state.

Share earnings for 1955 were $1.37, the same as in the previous year, but the number of shares had been increased by 10%. President MacInnes has estimated $1.63 for 1956, an increase of nearly 19%. Tampa has been selling recently on the American Stock Exchange around 27, and pays $1 to yield 3.7%. Based on anticipated earnings for 1956 rather than last year's figure, the price-earnings ratio would be 16.5. An increase in the dividend rate would seem warranted later this year.

## With Mid-Continent Secs.

ST. LOUIS, Mo.—Kathryne P. Ross is now with Mid-Continent Securities Corp., 3520 Hampton Avenue.

## Smith Polian Adds

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Harley Shaver has been added to the staff of Smith, Polian & Co., Omaha National Bank Building.

# Railroad Securities

By GERALD D. McKEEVER

## Baltimore & Ohio

The Baltimore & Ohio is setting the stage for the final act in the consolidation of its funded debt which was begun early last year. All told, this has involved to date the retirement of some $352 million principal value of bonds and the issuance of $347 million, or a net reduction of about $5 million. The most dramatic phase of this was the flotation of the $280 million consolidated mortgage bonds in three series in the latter part of last year which retired all underlying mortgages and a balance of the three remaining series of the refunding mortgage bonds—series G, K and M, all 5s. The retirement of the series J 6s and a portion of the three 5% series had already been arranged for, largely from the proceeds of the sale of the Chicago Terminal bonds and stock, but the equity is understood to have been regained.

This refinancing operation disposed of all the bonds that had been affected by the terms of the 1944 debt adjustment with the exception of the $54,710,000 convertible income 4½s of 2010 which the road now wants to clear away by means of an exchange for a new issue of the same interest rate and maturity and the same conversion rate of one share of the road's common for each $100 principal of the bonds, but with fixed interest payable semi-annually. As long as the present contingent interest issue is outstanding in any part, the road is still subject to the restrictions imposed by the 1944 debt adjustment which, among other things, requires that there be set aside from earnings a capital fund amounting to 2½% of gross revenues annually less credits for depreciation of way and structures which resulted in 1954 in the net deduction of $5,321,000 from earnings available for dividends and contingent interest as well. Another restriction is the "Part II" or "additional" sinking fund, now only a matter of $750,000 annually, due to the reduction of the road's interest charges below the $22 million level prescribed in the 1944 plan. Prior to the interest reduction the "additional" sinking fund had been 50% of available earnings plus an amount equal to all dividends paid within the year.

Although this sinking fund no longer cramps the dividend leeway as it did, the 1955 total of some $6 million for both capital fund and the "additional" sinking fund which had to be deducted before arriving at earnings available for dividends amounted to almost $2.40 per common share. The elimination of the convertible income 4½s—the last of the "old" issues will not only do away with these earnings reductions but will also permit the payment of dividends out of current earnings. As it is now, due to another restriction of the 1944 plan, payment of contingent interest as well as dividends can be made in any year only to the extent that earnings of the preceding calendar year proved available after providing for prior charges. This includes the capital fund.

As a result, contingent interest is payable only once a year and dividends have also been paid annually in one lump sum. Beginning this year, however, the preferred was placed on a quarterly basis and this has raised the question why similar treatment should not be given the common whether the pending deal goes through or not. A number of other roads which are subject to reorganization indentures declare quarterly dividends for a year out of the preceding years' earnings. One of the reasons advanced for getting rid of the income 4½s is that so long as this issue is outstanding it would be "impractical" to place the common on a quarterly basis.

Net earnings of the Baltimore & Ohio amounted to $8.45 per common share in 1955 (including $1.90 per share tax deferral from fast amortization) out of which $6.07 was available for dividends after capital fund and "additional" sinking fund. There is considerable feeling that a more generous "pay-out" is justified than the $2 per share that was paid in 1955. Those arguing on the other side point out that the relief from the $6 million combined capital and sinking fund of 1955 will be only temporary if the proposed replacement of the income 4½s goes through, since this charge will be almost matched in 1957 by sinking funds aggregating $3½ million on two series of the new consolidated mortgage bonds together with the first $2 million serial maturity of the new 3½% secured notes. The difference would seem to be, however, that this $5½ million is merely a deduction from the road's "cash flow" and is not made specifically deductible before any other charge. In 1955 the road is believed to have had some $5 million "excess depreciation" over and above maturing instalments of equipment trust obligations. This is in addition to net income.

The pending exchange offer will not reduce interest charges nor increase potential dilution since the interest rate and conversion rate are both to remain unchanged. The road seems confident that holders will be sufficiently happy to receive a new bond, also unsecured, with regular fixed interest that there will be no demand for any other inducement such as the "sweetening" of the conversion rate. If this were done, it might not only make a higher proportion of acceptance more certain, but with considerable dilution, might hasten the elimination of a sizable piece of debt and some 2½ million annual interest. This undoubtedly has been given full consideration, and in any case, the road has done a magnificent job of debt reduction—some $202 million since 1938, cutting annual interest charges from $30 million to something less than $20 million at the present time.

The Baltimore & Ohio is one of the few eastern roads that shows any growth tendency, excelling the average trend of the Central Eastern district as to both revenues and ton mileage and equaling or bettering the Class I average except in years of recession of heavy industry. Coal, coke, iron and steel represent together about 35% of freight revenues, but on the side of stability it should be noted that about 35% of the coal carried by the B & O goes to the Utilities.

With only a small proportion of passenger business, this road is a relatively low-cost operation for an eastern road, the 1955 Transportation Ratio having been only 40.2%. An interesting angle is that there seems some room for further improvement also, mostly from further dieselization. While yard operations and most of the main line passenger service is dieselized, freight operations are dieselized only here and there by divisions. At the end of 1954 55% of the road's locomotives were diesels, but allowing for the greater capability of the diesel, it appears that freight operation also may be largely dieselized. Between 1946 and 1954 the factor of gross ton miles per freight train hour increased a little over 50% as against the 40% average gain for all Class I.

The Baltimore & Ohio will not get the full benefit of the 6% freight rate increase granted by the ICC on March 2 because of "hold downs" on coal particularly. The management had previously estimated that its effective freight rate increase would be about 5/6th of the nominal increase, which would be about 5%. This would amount to about $21.5 million at the present level of revenues and seems to give very comfortable cover to the recent wage increases if not to other increased costs as well. The Baltimore & Ohio enjoys a relatively low wage ratio compared with other representative eastern trunk roads.



*Continued from page 3*

# Outlook for Housing

is not a panacea for severe and deep-rooted fluctuations. As for terms, we are all beginning to realize that there is a limit to the demand that we can — and that we should—create by this device. We are learning what it should not have been necessary to teach us — that if you have more new homes in a community than prospective buyers neither credit nor terms will prevent an over-hang of unsold houses.

The picture, as I see it, is this. On a country-wide basis there is still a large unsatisfied demand for new housing. However, this housing must be built in a proper price range, in a proper amount and in areas where demand is still evident. Under such circumstances FHA and the VA mortgages are still attractive investments for institutional lenders. I don't think the well of loanable funds is in danger of drying up in the foreseeable future. I think the Government will continue to exercise its powers over credit and terms to do whatever is possible to keep building at the golden mean of 1 to 1.2 million units per year, provided this does not put the private debt picture entirely out of focus or create dangerous inflationary pressures. I do think, however, that you and the builders you service will have to be increasingly imaginative and selective.

### Limiting Factors

I hardly need remind you that home building declined materially in each of the last five months of 1955, reaching an annual rate in December of 1,187,000 units. Informed estimates of residential starts in 1956 range from 1.1 million to 1.3 million units. My own guess would be that the lower of the two figures may be closer to the truth and I do not think that this will be the result of a lack of mortgage money. The indications are that this year the supply side of the mortgage investment equation will create the restraining force. Let me give you a few of my reasons for this belief.

**First,** across the country a real shortage of suitable land in suitable areas is developing and such land as is available is going out of sight costwise. Testifying before a Senate committee in November, Bill Levitt demonstrated this fact dramatically. In 1949 he bought land on Long Island for $2,500 an acre. He sold it in 1951 for $4,500 an acre. This same land was resold in 1953 for $8,000 an acre and in 1954-55 for $15,000. A similar instance was described in a recent edition of the "Wall Street Journal." Shortly after World War II, a veteran purchased 10 acres of land almost 20 miles south of Miami for $50 an acre. He sold this land in 1955 for $1,500 an acre, and it has recently been resold for $3,000 an acre. To a greater or lesser extent these experiences have been duplicated in many suburban areas from coast to coast. These cost increases are hardly surprising. Three-quarters of our residential building is in metropolitan areas where an ever-increasing demand is pressing against a shrinking land supply.

**Second,** the cost of labor and building materials is still rising swiftly. The average construction cost per unit rose to the all-time high of $11,300 for the first 11 months of 1955, an increase of more than 6½% over the same period in 1954. To some extent this was due to the emphasis on larger units but to a substantial degree it reflects the still rising index of construction cost. The cost of land preparation is also rising because of the increasingly stringent requirements of municipalities with respect to community facilities such as sewers, water, etc.

**Third,** the prices of existing dwellings have followed the upward price trend, causing the market for resale to become increasingly tight on the demand side. The record of FHA loan applications on existing homes demonstrates this fact clearly. In 1955 these applications showed constant monthly increases over 1954 until September. At that time the impact of the action by FHA shortening the maximum term from 30 to 25 years struck the existing home market. In September and the remaining months of 1955 these applications declined each month relative to 1954.[1] VA applications showed a comparable decline relative to 1954 beginning in June 1955 one month before the shortening of maximum term.[2] I emphasize this trend because of its effect on the new construction market. We know that many of the sales of existing homes are primarily for the purpose of enabling present owners to purchase new homes better suited to their needs. Any slow-down in sales of existing houses is reflected in the new construction market. It is not surprising, therefore, that during the closing months of 1955 there was a corresponding decline in the number of FHA and VA applications on new units from the all-time high of 108,561 for March 1955 to 47,484 in November 1955 (December figures not yet available). Relative to 1954, these applications represented a decline in each month beginning in June 1955 (8.4% under June 1954) through November 1955 (37.9% under November 1954). Because of the time lag between applications and commitments on the one hand and actual construction on the other hand these declines in the last half of 1955 indicate that construction in 1956 will be somewhat below 1955. This may be offset to some extent by the heavy number of applications in the first half of 1955 which, because of the slow sales market in the last six months of 1955, never materialized into actual construction. Many of these applications and their corresponding commitments may create actual housing in 1956.

### Savings Deposits

I am assuming then that there will be a modest decline in the number of units of residential housing completed in 1956. Insofar as financing requirements are concerned, this decline in units may be offset in whole, or in part, by the construction of larger units at increased prices. Thus, the financing needs may well be about the same as in 1955. I believe that mortgage funds will be adequate to the task. As for mutual savings banks, their deposit gains were somewhat less in 1955 than in 1954 ($1.8 billion vs. $2 billion). Because of the heavy demand on disposable income imposed by record installment and housing debt the competition for the disposable income of individuals is still very keen. Judging from our recent experience, however, people still seem to be determined to save. I would not be surprised if the mutual savings banks fare at least as well this year as last in attracting deposits. The ratio of mortgages to assets of mutual savings banks has increased to 56%. This means there is still ample room in the portfolios of most banks for mortgages. The assets of life insurance companies increased 2.6% in the

1 September 1955—23.5% under September 1954; October 1955—26.4% under October 1954; November 1955—24.7% under November 1954; December 1955—data not yet available.

2 June 1955—5.2% under June 1954; July 1955—2.7% under July 1954; August 1955—13.2% under August 1954; September 1955—26.8% under September 1954; October 1955—23.9% under October 1954; November 1955—35.4% under November 1954; December 1955—data not yet available.

last quarter of 1955 compared to a gain of 2.1% in the corresponding period of 1954.

### Distribution of Commitments

As mortgage portfolios have risen to new heights during the past decade, the increasingly great amount of reinvestable funds for mortgages, through amortization and pay-offs, is providing a reservoir of mortgage money for future production. That reservoir is still growing. From this source alone it is estimated that some $9 billion annually should be available to the home building market. Now, at this point I would like to suggest to you that in the distribution of all these available funds you, as mortgage bankers, have an important responsibility. It is you, through your contacts with the builders, who start and carry through the chain of events leading to the ultimate commitments of the permanent lenders. As I see it, one problem that has been given little consideration is that of channeling these available funds in such a manner that the small builder will have access to them on an equal basis with the large-scale development builder.

The small builder who produces 20 to 50 houses a year is not in a position—financially or on a production basis—to plan much in advance of current production for land, material or labor. Therefore, when mortgage money tightens up he is the one who is affected immediately. On the other hand, the large-scale builder does all of his planning a year or more in advance of production and secures commitments on a site approval basis in most instances well in advance of actual production. In effect, during the last period of plentiful mortgage funds some of the large builders were really stockpiling commitments for production of housing beginning six to nine months beyond the date the commitments were secured. I realize that the placement of commitments on large tracts by mortgage bankers from funds made available to them by permanent investors requires much less work than spreading such funds among a group of small builders. However, I would like to express the thought that a more equitable distribution of commitment funds, particularly to the smaller builders, would greatly minimize the recurring so-called mortgage money shortage periods. Mortgage bankers should survey their building territories with the idea of providing adequate financing for the largest number of builders rather than one or two large builders. It seems to me that this can be accomplished and still provide the large builders with commitments covering their real needs.

### Investors' Commitment Positions

If available commitment funds are thus allocated on the basis of immediate or short-range production schedules, rather than long-range production schedules, it is obvious that the same amount of funds will take care of more builders. Such a procedure would also have the effect of spreading out on a more even basis the flow of mortgage funds and would not overburden investors' commitment positions on an advance basis to the extent that the investor has to curtail commitments from time to time. As an example, let us say that Builder A has a 500-house project requiring $7½ million in mortgage commitments. Mortgage Banker X has available commitment funds for the $7½ million but Builder A will construct and sell only an estimated 300 houses within, say, nine months to a year. Why, under such circumstances, should not only $4½ million in commitments be made to Builder A and the balance of $3 million be made available to Builders B, C, D, E, etc., in amounts which comfortably would take care of their short-range loan requirements.

It is paradoxical that recent reviews of the building situation by the "Wall Street Journal" and the "United States News and World report" indicated that only in a few instances was there immediate concern about mortgage commitments and yet there was emanating simultaneously from Government great concern about a mortgage money shortage. May I submit that government was getting its complaints not from the large and medium size builders interviewed in these recent reviews, but from the small builders in large numbers who may have been neglected by the mortgage bankers. At least this is a matter which should be given some thought and study by progressive mortgage bankers whose objective is to provide the widest distribution of mortgage funds in their respective areas.

### Governmental Policy

To return to the general problem, let me repeat my belief that the demand side of the mortgage market will continue strong in the near future. I need not remind you that any prediction made today may be knocked galley west tomorrow by action of the governmental authorities. Recent indications are that these authorities are not in complete agreement as to what should be done. In response to the decline in starts and the uneasiness of builders the FHA and the VA restored the 30-year loan. This was met with something less than enthusiasm by the Federal Reserve Board. If the Federal Reserve Board or individual Federal Reserve Banks were to react with more restrictive credit measures, the ability of builders to get interim financing might be impaired. Likewise, if the Treasury were to come to market with a large issue of long-term bonds on an attractive basis, a substantial amount of funds otherwise available for the mortgage market might be absorbed.

However, since the present economic situation seems to me to be one of balance with the likelihood of stability or possibly slight decline (for the short run at least) being somewhat greater than a strong upward trend, dramatic restrictive action by the government in the near future does not seem likely.

This does not mean that you will have no problems. I think you will have problems but they will probably be localized. You must expect lenders to be far more selective than in the past. As home buyers become more demanding, it is natural for permanent lenders to look more critically at the real housing needs of a particular area. I think you must also expect lenders to insist on a somewhat heavier equity for loans than the minimum requirements of VA and FHA. In a market that has absorbed 10 million dwelling units since World War II, some reluctance on the part of lenders to buy 30-year loans with little or no equity is not unreasonable. We happen to feel that at a proper price and with adequate screening such loans are still a good investment, but I am sure you will encounter contrary views.

### Californian Market

I think what I have said applies to California as well as to the country as a whole. You shared in the general decline in residential building in the last six months of 1955. To a considerable degree this was undoubtedly influenced by the extended strike you have been experiencing. At any rate, the average monthly number of building permits issued in Los Angeles County during that period was 5,800 compared to 7,151 for the last six months of 1954, a reduction of almost 20%. This occurred despite the fact that in this area personal income continued to rise—it is now almost 20% above the national level—and unemployment fell to its lowest point since the war—3%. The population of Los Angeles County continues to grow dramatically—from 1950 to mid-1955 the County gained about 850,000 people, a 13% increase. Immigration continues to be heavy. Despite the decline in units built, metropolitan Los Angeles still added 105,800 units to its housing inventory in 1955—more than any State in the United States—(except, of course, California). Thus, as in many other areas, you are facing a continuing demand but this demand is becoming, from the home buyer's viewpoint, more selective and will, I am sure, be accompanied by an adequate but, again, selective demand on the part of lenders. Barring some serious economic turn-down, there is business, and substantial business, to be done—but to an ever-increasing extent this business will be conducted in a market dominated by the buyer.

I invite your attention to what has happened in Dallas, as reported in the January issue of "House and Home." After riding a housing boom for many years in a market that seemed capable of absorbing all the housing that could be built, the Dallas builders suddenly found themselves in a buyer's market. That market is still active but the builders who are succeeding now are finding that merchandising is the prime factor. Easy terms are not alone enough to do the job. In a community with an over-supply of housing, the buyer is looking for real value. It will tax the imagination and ingenuity of the building industry to contrive more economical ways of building soundly planned and attractive homes and yet keep the price within the purchasing limits of its market. This situation is by no means limited to Dallas. Transition to a buyer's market is going on in many places. You may not be at, or even near, that point today—but you may be tomorrow. I am confident that the money will be available for real housing need as far ahead as we can foresee. It is up to you and the builders to see to it that the supply of new houses is geared to that need.

## With du Pont, Homsey

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John H. Bundy has become affiliated with du Pont, Homsey & Company, 31 Milk Street, members of the New York and Boston Stock Exchanges. Mr. Bundy was formerly with Harris, Upham & Co. and Hunnewell & Co.

## Are Mergers the Answer to Survival?

**Dr. Nadler questions whether legislation will halt mergers and finds a sound basis for merger growth in dynamic economic post-war growth factors. Disapproves of mergers for the sake of bigness and advocates immediate study of ensuing political and social problems.**

In dealing with the question whether mergers are the answer to survival, in an address given before the National Metal Trades Association Convention, New York City, March 2, Dr. Marcus Nadler, Professor, Graduate School of Business Administration, New York University, expressed the belief that "the merger movement in industry, trade and finance is the result of the dynamic post-war growth of the American economy. It has been brought about by powerful economic forces, and so long as these forces last, the merger movement will continue. It may, however, be somewhat retarded if legislation proposed by the President in the Economic Report of 1956 is enacted by the Congress."

Marcus Nadler

Continuing, Dr. Nadler said:

"The principal forces which have contributed to the merger movement, briefly, are: (1) The increased cost of doing business, which stimulates the acquisition of costly labor-saving equipment that only large concerns can afford. (2) The increased importance of research, which is costly and requires large expenditures for pilot plants and for testing and marketing new products. (3) The need for improved management, which perhaps plays a more important role than ever before. (4) The high tax rates on individual and corporate income, which offer a powerful inducement to seek long-term capital gains and encourage profitable corporations to acquire those with a tax loss carry-forward. (5) The desire to diversify, in order to reduce expenses as well as to broaden markets. (6) The advantages enjoyed by large corporations in obtaining long-term funds. (7) The striving for bigness and the desire to utilize the resources of a cash-rich corporation.

"Are mergers the answer to survival? In some cases this is undoubtedly the case. This is particularly true where large capital expenditures for machinery, equipment and research are necessary, where the profitability of a company depends on enlargement of markets and diversification of products, where management is not aggressive and unable to meet competition and changing conditions, and where joining of forces may lead to better management and larger profits.

"Where the prime motive, however, is the desire for bigness, mergers are not desirable. They may well lead to a cumbersome organization and increased costs. In many instances, particularly where styling and individual service play an important role, a smaller company may have great advantages over a large one. It is more flexible in planning, can make quicker decisions and can operate with lower overhead. Whether or not a merger is desirable in a given case often depends on the type of business involved and the extent to which the personal element plays a major role in the success of the business.

### Conclusion

"The growth of labor unions, the constant rise in the cost of doing business, the increased importance of research, and the desire to widen markets and to diversify products will continue to contribute to the merger movement. Some legislation will undoubtedly be passed which may make mergers more difficult, but it will not halt them. If the merger trend, which has been so pronounced in the post-war period continues—and there are no reasons for assuming it will not—it will create a number of political and social problems. It is, therefore, desirable that these problems be considered now, before the merger movement goes too far."

## Joseph Batchelder Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Walter J. McCorkle has become connected with Joseph M. Batchelder Co., Inc., 111 Devonshire Street, members of the Boston Stock Exchange. Mr. McCorkle was previously for many years with Shea & Co.

# THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market recovery, underway since mid-February, continued with occasional interruptions this week and nudged the industrial average within close striking distance of the fabled 500 mark never before seen in history. A heavy supply of stock had to be absorbed at such a lofty level and made progress difficult, particularly since the general freight increase awarded the rails proved of only momentary solace to this laggard section of the list.

* * *

Utilities were able to accompany the industrials to record highs, their average posting its best price in two dozen years; but the rails still lagged under the level reached last November, which was the best standing in a quarter century.

* * *

Oils, which have been outperforming the general market virtually all year so far, were subjected to some profit-taking but it was neither drastic nor entirely unexpected, particularly after a session that saw a dozen issues in this group push to their best prices in nearly 15 months.

### Selective Strong Spots

Sustained interest was concentrated in individual issues where news was favorable, such as American Metal where a stock split was voted, and Ford Motor which came to listed trading on the New York Stock Exchange yesterday. Westinghouse was somewhat popular as soon as the indications started to mount that progress was being made to settle the long strike.

* * *

Aircrafts, for a change, were able to show independent strength, mostly in a nature of a part-time rebound after the uncertain ways that they had taken to when the Congressional quiz on their profits convened. Where the plane work runs out, guided missile work will be more than adequate to keep the wheels humming and in the case of Douglas the commercial work on order is now more than a billion dollars, which not only is an all-time high but will take until 1959 and 1960 to deliver.

### A Missile Market?

There are some schools of thought that already are predicting the guided missile group will stand out as the bright spot in this year's market whatever happens elsewhere and the fact that the nation's guided missile program has some harsh critics only strengthens this school in its conviction. The companies participating in this program form a respectable roster, including RCA, General Electric, Westinghouse, American Bosch, Sperry-Rand and others in addition to the plane makers themselves. In fact, Douglas is rated as being the top missile producer currently. Something of an incidental surprise was one service's recent survey of issues that have shown superior dividend stability over the last couple of decades and among them was Grumman Aircraft, making it an unusual honor for an aircraft maker.

* * *

Even all the fanfare over Ford's listing was unable to stir up much sustained interest in the other auto shares but, on the other hand, there was little in the way of pressure on them since it won't be until after this month that the extent of the Spring buying revival will be apparent. More and more the question was being asked: What is wrong with the second best year in history? Building supply shares were similarly neglected pending a better idea of how housing will fare this year.

### A Housing Beneficiary

Instead, attention was shifted to the secondary companies behind the front-runners of the auto and housing industries. An issue, like Glidden Co., that hasn't shared to any excessive degree in the stock market runup to here was building up a new following on the logic that all the houses sold in the last few years will need redecorating along around now so paint sales should improve even though overall building doesn't. Glidden's sales and the market price of its stock reached post-war II highs in 1951 and haven't been seriously challenged since, which leaves room for improvement marketwise on any upturn in the firm's fortunes. One unprofitable livestock business was disposed of last year which should help 1956 results look better.

* * *

Utilities normally have a quiet market life since their business increases steadily but without much spectacular to it. There are even some that avoid utilities because the growth in demand for electricity keeps them committed to large capital outlays. But the secondary choice in this case is an issue like Babcock & Wilcox which profits directly by the demand for steam generating equipment in which field it looms prominently. Babcock's management long since cautioned against its atomic energy work as an unfounded base for any excessive market enthusiasm since such work won't figure in profits for five years or so. But the ability of the company to improve its profit margin in the last fiscal year despite a sizable trim in total sales attracted investor attention and the issue has been able to put on an above-average degree of market stability in drifting markets and good strength when the going was good.

### Hot Weather Favorite

For a behind-the-market issue shortly to be aided by the warm-weather attention normally paid to soft drink makers, Coco-Cola seemed to be the favorite choice. The stock, which sold at $145 last year, has been well deflated recently even in the face of record profits and the high-standing of the market averages. It has been holding recently at little more than the peak prices of 1953 and 1952, and sold higher each year from 1946 to 1950 than it did last year. Its 1946 peak was a round $200, illustrating that Coca-Cola has been one of the issues left out by the 1953-56 market upsurge.

* * *

Steels are considered virtually certain of showing higher earnings for at least the first half of this year, but have been able to build up little in the way of new investor interest, possibly because wage talks are about to begin. Despite all the old adages against letting strikes influence market action, today's industry-wide tieups can upset the financial picture considerably. The steels are very much like the auto industry where the prospects of the second best year in history are being discounted rather wantonly. Armco Steel, Republic and U. S. Steel have been offering a well-sheltered yield of 5% or better, which illustrates the lack of attention being paid such well-known names.

* * *

Airlines, too, have been anything but favorites with investors even though their business is humming right along. That their equipment ages fast, and the prospect of large commitments to shift to the jet transport era in the next few years, have been advanced as reasons for investor distrust; but except for an occasional flurry in Pan Am World Airways, the group seems to be a bit more neglected than the facts warrant.

*[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]*

# Ireland's Industrial Possibilities Stressed

**Opportunities for U. S. businessmen in the Irish Free State cited by a delegation of Irish industrial experts who will be in this country for the next three weeks in an endeavor to interest American bankers, manufacturers and corporations in Ireland's expansion program.**

A distinguished industrial delegation, representing The Irish Republic, arrived in New York last Thursday on the S. S. "United States" and held a town meeting at the Irish Consulate, 33 East 50th Street, New York City.

The representatives of many of the New York newspapers, including, The "Chronicle," listened attentively to a very able exposition of the industrial possibilities which Ireland offers for American investment in new and much needed enterprises in Ireland.

Dr. James Patrick Beddy, Chairman of the Board of the Industrial Development Authority and Managing Director of the Industrial Credit Co., Ltd. reviewed the opportunities for American manufacturers, investment bankers and corporations with the object of enlisting their interest in the production of articles which are not made in Ireland or which are not made there in sufficient quantity. Over £40,000,000 worth of manufactured and semi-manufactured goods are imported into Ireland annually.

The Head of the Irish Delegation, Dr. Beddy, explained that the Free Government issues grants to cover cost of plants in the less developed areas as well as Government guaranteed loans and remission of local taxation for the first seven years on new factory buildings upon which taxation is reduced to one third of the ordinary rate. The standard rate of income tax is equivalent to 37½% on assessable profits. Corporation profits tax is payable by limited liability companies at the rate of 10% on profits in excess of $7,000 a year. Corporation Profits tax is allowed as a deduction in computing income tax. Dr. Beddy pointed out that labor is plentiful and adaptable in Ireland and that it is a Government policy to protect new industries against competition from other countries. There are no restrictions on capital and dividends, interest and profits can be readily repatriated.

Dr. Beddy mentioned a number of investment opportunities for new enterprises that Ireland offers American Corporations. Some of the things not manufactured in Eire that offer profitable returns are: Plywood, certain automobile parts, several chemicals, iron pipes, sanitary wares, cameras, scientific instruments, watches, earthenware and tools. Imports cover a very wide range, including manufactured foodstuffs, iron, steel and nonferrous products, hardware and implements, machinery, textile manufactures (principally piece goods of cotton and synthetic materials) paper and carboard, chemicals and dyestuffs as well as various other articles. These imports show clearly that there is still much scope for further industrial expansion in Ireland. While the country has four large paper mills, it does not have any wood pulp or newsprint industries. Even paper products like tissue and wrapping paper are imported as well as detergent products. There is a wide field for textile and fashion industries in Ireland, where there is also an expanding demand for electrical equipment, household utilities including refrigerators and vacuum cleaners.

Dr. Beddy extended a cordial invitation to American industrialists to share in Ireland's industrial development and further assured his newspaper auditors that American manufactures would find a warm cooperative welcome under the Irish economy, which like our own is based on free enterprise.

The delegation included Mr. Cathal Loughney member of the Board of the Industrial Development Authority and John Donovan, Secretary to the Delegation.

Particular emphasis is being given to the delegation's expansion program by the Hon. William Norton, Ireland's Deputy Prime Minister and Minister for Industry and Commerce, who has been touring the United States.

The delegation proceeded directly to Washington, D. C. where they were joined last Saturday by Mr. John Leydon, Economic Advisor to the Irish Government, for discussions with representatives of the U. S. Department of Commerce and other government departments and agencies. The delegation plans to travel to a number of cities throughout the country, including Wilmington, Chicago, Pittsburgh, Boston and New York, to meet with manufacturers, investment bankers and others who are interested in the Irish industrial scene. Mr. Donal Scully, Trade Consul of Ireland in New York, accompanied the delegation.

A 36 page descriptive illustrated brochure, entitled "Ireland—Opportunities for Industrialists" will be mailed free on application to Mr. Donal Scully, Trade Consul of Ireland in New York, at 33 East 50th Street, New York City.

# James E. Jones With Joseph McManus Co.

James E. Jones

Joseph McManus & Co., 39 Broadway, New York City, members of the New York Stock Exchange, announced that James E. Jones has become associated with the firm in the Trading Department. Mr. Jones was formerly with the Atlanta, Georgia, and New York offices of Courts & Co.

# Jenks, Kirkland Open N. Y. Office

Jenks, Kirkland, Grubbs & Keir, members of the New York and other leading stock exchanges, announce the opening of a New York office at 25 Broad Street with Roger S. Palmer as Manager. Mr. Palmer was formerly senior partner of Roger S. Palmer Co., in New York.

Jenks, Kirkland, Grubbs & Keir also have offices in Philadelphia and Pittsburgh, Pa.

# Bond Club of New York To Hold Annual Outing

The Bond Club of New York will hold its annual outing on June 8 at the Sleepy Hollow Country Club, Scarborough, N. Y.

## R. F. Ulrich Opens

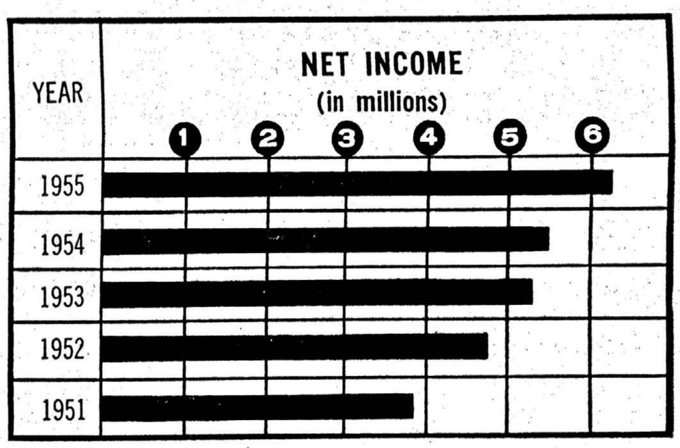
TWIN FALLS, Idaho — Rex. F. Ulrich is conducting a securities business from offices at 109 East Main Street.

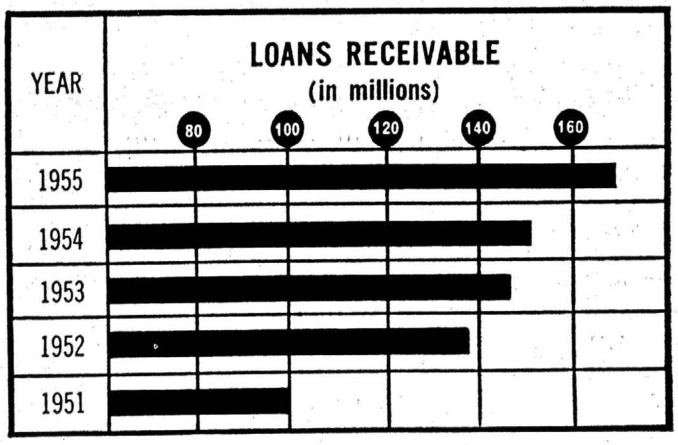
# 1955 . . . continued growth in an expanding market

1970

Number of Families

Forecasts agree that the high birth-rate of the past fifteen years assures a sharp up-turn in family formations through the next decade. The needs and desires of the thousands of new families entering the consumer market each year create additional demands for the goods and services of our economy. The wise use of credit by this expanding consumer market will continue to provide the bridge between this country's mass production and its mass consumption. We, at American Investment Company, expect to participate in this growth by providing cash installment loans to the thousands of families constantly entering the consumer market.




## HIGHLIGHTS

*from the Annual Report*

| | 1955 | 1954 |
|---|---|---|
| Volume of loans made | $274,924,687 | $240,933,757 |
| Net Earnings | $ 6,235,067 | $ 5,514,002 |
| Common shares at year-end | 4,362,456 | 2,074,925 |
| Earnings per share | $1.30 | $1.18* |
| Dividends per share* | $0.85 | $0.80 |
| Number of branch offices | 359 | 326 |

***Adjusted for 2 for 1 stock split**

# American Investment Company

OF ILLINOIS

8251 MARYLAND AVENUE, ST. LOUIS 24, MISSOURI

AICO OF ILLINOIS

***Principal Subsidiaries:*** **Public Finance Corporation**
**Domestic Finance Corporation • Public Loan Corporation**
**General Public Loan Corporation • Ohio Finance Company**

Copy of 1955
Annual Report
Available on Request.

# Railroad Economic Future Dependent Upon Engineering

By J. M. SYMES*

President, Pennsylvania Railroad

**Well-known rail President estimates the decade's billion dollar expenditure required to get railroad industry's plant and equipment in shape to compete with air, highway and waterway carriers is only the beginning. Perennial passenger service deficit is found yielding to the engineer's skill, and credits ability to keep rate rises below costs, in spite of unfair competition, inflation and excess profits, to engineering contributions of: diesels, centralized traffic control, electronic freight classification yards, train telephonic communications and other improvements. Mr. Symes sees postwar engineer job just commencing and finds engineers indispensable for developing techniques, machinery and facilities responsible for continuous rising standard of living.**

In my opinion, and I imagine in yours, our way of life consists of two basic and inseparable elements. One is our continuous rising standard of living, which is constantly benefitting more and more people. The other is our spirit and practice of democracy, as against the communism and state socialism that harass and exploit so many of the world's people, and would harass and exploit us if they could.

James M. Symes

The interdependence of our standard of living and our democracy is, I think, pretty clear. Each makes the other possible; each guarantees the other's continuance. As my life-long friend and colleague, Martin Clement, puts it; "Democracy, to exist, must be actuarially sound."

By "actuarially" he doesn't mean only that the figures must add up—which they don't under communism and state socialism. He means also that there must be clear and present benefits, and that these benefits — this high standard of living — must reach practically everyone, not just a favored few. How well our American industrial set-up meets those two specifications—and with benefits to practically everyone — needs no proof by me. Nor does the role of the engineer in producing and spreading those benefits. A lot of professions of course bear a hand in the process, but the fact remains that it is the engineer who thinks up and develops the techniques, machinery and facilities that keep putting more and better products and services within the economic reach of more and more people. Without him to start the ball rolling the salesman would not have much to sell, the financier would not have much to finance, the tax collector would not have much to collect, and most of us would not have any place to pick up a paycheck. We would be like that mythical town in Ireland where the people lived by taking in each other's wash — a set-up which lacks charm, among other things. I know you engineers won't let it happen here.

Also I trust you realize that our job of underpinning the economy by constantly coming up with better tools and techniques of production can never end. On that point I would like to quote another friend of mine, Mr. Thomas McCabe, President of the Scott Paper Company:

"I am confident that the American people will never satisfy their desires for better living, and our technology will never cease to accelerate and expand."

*An address by Mr. Symes before the Engineers' Club of Philadelphia, Feb. 21, 1956.

### Better Living

You note the connection he makes—and which I am sure we all make—between better living and an accelerating and expanding technology. And that better living in turn means more and more secure democracy. So you see that if any profession is indispensable, it is that of the engineer. This is especially true of railroads. If there is an industry that is preponderantly an engineering operation, and which must be run on engineering principles, that industry is railroading. It is true that a big railroad like the Pennsylvania has literally dozens of departments, ranging from law and real estate to sales and services. But in the last analysis our whole two-and-a-half-billion dollar investment and our hundred thousand or so employees are working to do just one thing — move masses of people and goods over distance and move them efficiently and economically.

### Engineering Function

Moving mass over distance, efficiently and economically, is certainly an engineering function—and I can assure you the Pennsylvania knows that. Of the 13 Presidents we have had, 10 were engineers. A large proportion of our Vice-Presidents and regional managers are engineers. In all, we have some 700 graduate engineers on our railroad team—and it's not enough. Many of them haven't been near a drawing board or worked a "slip stick" in years, but all of them are giving us in one way or another the benefit of their engineering training and way of thinking.

In mentioning our basic job—moving masses of people and goods over distance — you may have noticed I kept adding the formula, "efficiently and economically." That formula is the crux of our whole operation. Back before World War II, the railroads of the nation were moving freight for an average charge of .96 cents a ton mile, and passengers for an average charge of 1.81 cents a passenger mile. As men familiar with cost sheets, you know how war, rising taxes, inflation and other factors have doubled and even trebled the prices of the kind of work, materials, supplies and services a railroad must buy. Yet by 1954, after 15 years of these upward pressures, the prewar figure of .96 cents a ton mile had risen only to 1.42 cents—an increase of only 48%; and the prewar figure of 1.81 cents a passenger mile had risen only to 2.62 cents—an increase of only 44%. In other words, with railroad costs doubling and even trebling railroad prices have gone up less than 50%. In that connection, it might be noted that the average ton-mile charge is about one-fourth that of the intercity truck, and that the average passenger-mile charge is one-third to one-fourth the per-mile cost of driving a private automobile.

### Low Rail Rates

The continued lowness of railroad rates represents both an achievement by the industry and an imposition on it. Railroads provide, maintain and often pay huge taxes on their right of way, while the rights of way of their competition—except for the pipe lines — are provided and maintained partly by public money, and are untaxed. On top of this considerable handicap, the rails are prevented by archaic rules and laws from meeting competitive practices aimed at premium business. This means that the rails are left with most of the low-paying business, but not allowed to compete fully for the more profitable traffic. Late last year, after long and careful study, a committee of Cabinet members and other high administration officials recommended that in the national interest the railroads be given greater competitive rights. Bills to permit that are now before the Congress: I hope they will have your support.

### Billion Dollar Investment

I'd like now to come to the achievement side of the picture—and the engineer's role in it. A good place to begin is with the close of World War II. The rails had just turned in a whale of a job—moved 90% of all military freight and 97% of all organized military travel. But the job had worn their plant to the nub and left little but glory to show for it: Excess Profits Taxes had fallen with special force on the rails. The war had also prevented the normal flow of plant additions and improvements. Some roads had fared worse in these respects than others; in the Pennsylvania's case, it was soon clear that it would take something like a billion dollars in the decade ahead to get plant and equipment in shape to meet the competition with air, highway and water carriers.

The management accepted the challenge, and went out and borrowed much of the money to meet it. The job isn't really finished yet—in fact, for reasons I'll explain in a moment, it can never be really finished. Meanwhile, let's look at what was done—much of it by engineers, and all of it in line with engineering thinking and principles. Needless to say, only some of the engineers were ours: we had also the great and indispensable help of the railroad supply industry and the industries which in turn supply them.

The biggest single part of the program, which consumed approximately one-third of the billion dollars, was the change-over from steam locomotives to diesels. Less than a decade after the event, it is hard to realize how difficult that decision was for the Pennsylvania to make. Two very real factors had to be weighed and considered. One was that diesel power, as applied to rail tractive effort, was still relatively new, and not yet completely proved by large-scale use. The other was the human and business fact that the Pennsylvania has always done a great deal of coal carrying, and you don't willingly leave the store of your friends and go shopping across the street.

### Diesels

Besides, our own motive power engineers and those of our suppliers had raised the steam locomotive to a pretty high level of performance, and had just put on the rails some very advanced and efficient models. But inflation and other factors had doubled the prewar cost of steam locomotives and coal, and the change to diesel became inescapable. Today, 10 years later, we have one of the largest fleets of diesels in the industry, as well as the largest fleet of electric locomotives. We still have a good many steam engines in freight service, though you rarely see them here in Philadelphia. Some of them report for work every day; others turn out to bear a hand when extra help is needed. Unless someone comes up with an atomic steam locomotive, I don't think we'll ever be buying more steam. This passing of steam had to come, economically—though as a life-long railroader I can't help remarking it's like seeing the heroes of your youth pass along.

Together with this advance in motive power have come many engineering improvements designed to take full advantage of it. Most of these were not new in principle, but new only in the extent to which it is developed and applied. I'd like to mention two or three you may not be aware of.

One is "centralized traffic control"—where one man in a central control tower operates signals and switches over many miles of railroad. This is made possible by the tremendous progress in electrical engineering, including the application of electronics. It enables us to make three tracks do the work of four and two tracks do the work of three. We can't use the system everywhere, but where we can and do use it, it helps save time, manpower and equipment.

### Electronic Yards

A somewhat similar advance is the mechanized, electronically-controlled freight classification yards, where one man at a control machine can classify cars and make up trains faster than 30 or 40 brakemen, switchmen and conductors working by the old system. The biggest and most modern of these yards is our installation at Conway, not yet completed but partially in use—and already producing considerable savings in time and manpower.

Train movement today is further speeded, and safely speeded, by train-to-train and train-to-control-tower telephone, by the duplication of the wayside signals ahead in the engineman's cab, and by automatic speed controls which slow down or stop the train if it is not operated in accordance with signal indications. Here again electrical engineering is helping us step up our output in ways not possible a few years ago.

Still another important advance is in the mechanization of track maintenance, which is a big item in a railroad's budget. Machinery now does a great deal of the work it used to take hundreds of track gangs to do, and does it faster, cheaper and better. We have electronic machinery to detect hidden flaws in rails—which in the past was always difficult and sometimes impossible.

In Philadelphia and Pittsburgh we now have apparatus employing electronic principles to speed up ticket reservations and sales, and are installing the system in New York—at considerable savings in time and human patience, both ours and the customer's. Behind the scenes, application of electronic data-processing machinery and streamlined methods of paperwork handling are helping us level off the mountains of expensive paperwork and manual bookkeeping that railroads traditionally have had to contend with.

### Passenger Costs

Even our passenger service deficit, one of the most stubborn and burdensome of our problems, shows signs of some day yielding to the engineer's skill. We aren't sure yet, but many of us think that at least part of the answer will be in trains that are lighter and less expensive to own, maintain and run. One such train is already on the rails; others are coming along.

As engineers, you recognize the sketchiness of the list of improvements I have taken your time to mention. There are many others, all aimed at the same thing — helping us face rising costs and the artificially unfair competitive position where antique regulations are holding us down. Without those improvements we might by now be out of existence or run by government, which would be almost as bad — as the dismal plight of a number of municipally-operated transit systems indicates.

I could, as I say, add to the list of the engineer's contribution, but I think I have made my point. There are just two things left to emphasize; they are mighty important but can be said in a sentence or two apiece.

### Post War Job

One is that the engineer's postwar job for us is only beginning. He helped pull us through our postwar emergency, and has given us the finest tool of cheap mass transportation by land ever devised. It is up to him to keep making that tool better and better, and to show us how to keep it abreast and even ahead of the changing requirements of the traveler and shipper.

The other point goes back to what I said at the beginning—the engineer's role in keeping the American way of life on a sound actuarial basis, and therefore secure. It has been an uphill fight, but so far he has done his part in keeping our industry out of the red—and keeping a great industry out of the red is, to my mind, the best way to keep the "Reds" out of industry. But there again I think you've only begun. Our nation will, I am convinced, come to see the national importance of allowing the railroads, on their merits, to compete for full participation in our growing economy. And the sooner that is done —the sooner we will be able to supply the engineers with the money they need to make many more of the improvements for which they already have everything that is needed but the cash. The role of the engineer in railroading has a great future as well as a great past. More power to your profession.

## Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co., Inc. and associates on March 2 offered $3,900,000 of Chicago & North Western Ry. Co. 3¾% equipment trust certificates, maturing annually Nov. 1, 1956 to 1970, inclusive.

These certificates, third and final installment of an aggregate issue not exceeding $11,700,000, are priced to yield from 3% to 3.75%, according to maturity. Issuance and sale of the certificates are subject to the authorization of the Interstate Commerce Commission.

The total issue is to be secured by 1575 box cars and 500 gondola cars estimated to cost $14,630,390.

Associated in the offering are: Dick & Merle-Smith; R. W. Pressprich & Co.; L. F. Rothschild & Co. Baxter, Williams & Co.; Freeman & Co.; Gregory & Sons; Ira Haupt & Co.; The Illinois Co. Inc.; Wm. E. Pollock & Co., Inc., and McMaster Hutchinson & Co.

## With H. L. Jamieson

(Special to THE FINANCIAL CHRONICLE)

WALNUT CREEK, Calif.—Delbert H. Stewart is now with H. L. Jamieson Co., Inc., 1327 Main St.

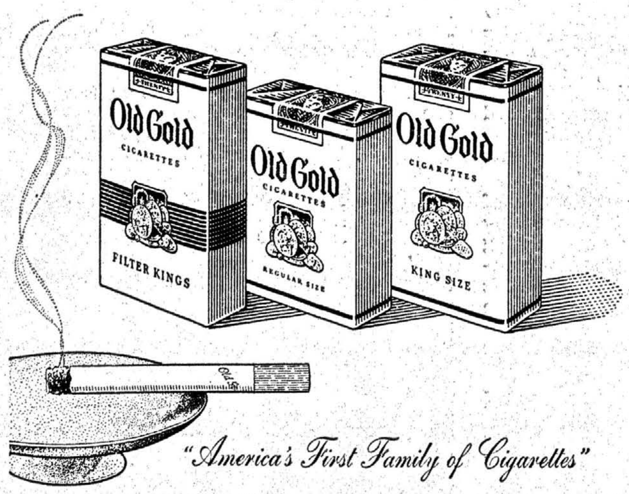
## Joins American Secs. Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—John MacKusick is now with American Securities Company, 509 Seventeenth Street.

# Annual Report for 1955 of P. LORILLARD COMPANY

## makers of fine tobacco products




### CONSOLIDATED EARNINGS

| | Year Ended December 31 1955 | 1954 |
|---|---|---|
| Revenues: | | |
| Net Sales | $228,268,392 | $231,046,695 |
| Other (net) | 77,304 | 150,190 |
| Total Revenues | $228,345,696 | $231,196,885 |
| Costs and Expenses: | | |
| Cost of Goods Sold, Selling, Advertising, and Administrative Expenses | $213,605,638 | $215,936,851 |
| Interest | 2,919,731 | 2,630,891 |
| Federal and State Income Taxes | 6,189,500 | 6,287,000 |
| Total Costs and Expenses | $222,714,869 | $224,854,742 |
| Earnings Before Special Credit | $ 5,630,827 | $ 6,342,143 |
| Special Credit—Profit on sale of property, less capital gains tax | 965,173 | |
| Net Earnings | $ 6,596,000 | $ 6,342,143 |
| Dividends on Preferred Stock ($7 per share in each year) | 686,000 | 686,000 |
| Earnings Applicable to Common Stock ($2.07 per share in 1955 including 34 cents from special credit; $1.98 per share in 1954) | $ 5,910,000 | $ 5,656,143 |
| Dividends on Common Stock ($1.35 per share in 1955; $1.60 per share in 1954) | 3,851,257 | 4,564,450 |
| Remainder of Earnings (retained for use in the business) | $ 2,058,743 | $ 1,091,693 |

Provision for depreciation: $1,246,422 in 1955 and $1,156,837 in 1954.

### CONSOLIDATED BALANCE SHEETS

#### ASSETS

| | December 31 1955 | 1954 |
|---|---|---|
| CURRENT ASSETS: | | |
| Cash | $ 6,521,814 | $ 7,812,959 |
| Accounts receivable—customers (less $402,203 in 1955 and $582,908 in 1954 for doubtful accounts and cash discounts) | 10,187,553 | 10,456,765 |
| Other accounts receivable | 596,941 | 657,431 |
| Inventories (at average cost): | | |
| Leaf tobacco | 125,268,174 | 127,432,128 |
| Manufactured stock and revenue stamps | 11,786,137 | 12,341,618 |
| Materials and supplies | 3,934,024 | 4,415,694 |
| Total current assets | $158,294,643 | $163,116,595 |
| PROPERTY, PLANT, AND EQUIPMENT | | |
| (As adjusted December 31, 1932 by authorization of stockholders, plus subsequent additions at cost, less retirements): | | |
| Land | $ 938,292 | $ 991,874 |
| Buildings and building equipment | 14,451,061 | 9,546,357 |
| Machinery and equipment | 18,903,404 | 16,979,834 |
| | $ 34,292,757 | $ 27,518,065 |
| Less accumulated depreciation | 8,803,966 | 8,842,842 |
| Total property, plant, and equipment—net | $ 25,488,791 | $ 18,675,223 |
| OTHER ASSETS: | | |
| Mortgage note receivable | $ 300,000 | |
| Prepaid expenses and deferred charges | 1,453,903 | $ 1,529,459 |
| Unamortized debenture discount and expense | 829,043 | 888,275 |
| Brands, trade marks, and goodwill | 1 | 1 |
| Total other assets | $ 2,582,947 | $ 2,417,735 |
| TOTAL | $186,366,381 | $184,209,553 |

#### LIABILITIES

| | December 31 1955 | 1954 |
|---|---|---|
| CURRENT LIABILITIES: | | |
| Notes payable (banks) | $ 32,700,000 | $ 40,700,000 |
| Accounts payable | 3,984,374 | 4,288,466 |
| Debentures due within one year (less held by Company) | 1,159,000 | 850,000 |
| Accrued taxes | 6,344,511 | 6,851,057 |
| Accrued payrolls | 660,153 | 616,643 |
| Accrued interest | 534,836 | 467,437 |
| Other accrued liabilities | 460,193 | 466,196 |
| Total current liabilities | $ 45,843,067 | $ 54,239,799 |
| LONG-TERM DEBT. | | |
| Notes payable (3% and 3¼%)—due serially October 1, 1957 to July 1, 1963 | $ 10,000,000 | |
| Twenty Year 3% Debentures, due October 1, 1963 ($600,000 to be retired annually to 1962) | 13,600,000 | $ 14,200,000 |
| Twenty-five Year 3% Debentures, due March 1, 1976 ($350,000 to be retired annually to 1975) | 13,950,000 | 14,300,000 |
| Twenty-five Year 3¾% Debentures, due April 1, 1978 ($675,000 to be retired annually to 1977) | 21,825,000 | 22,500,000 |
| Total long-term debt | $ 59,375,000 | $ 51,000,000 |
| RESERVE FOR CONTINGENT INCENTIVE COMPENSATION | $ 119,817 | |
| CAPITAL AND RETAINED EARNINGS: | | |
| 7% Cumulative Preferred Stock (par value $100 per share)— authorized 99,576 shares; issued 98,000 shares | $ 9,800,000 | $ 9,800,000 |
| Common Stock (par value $10 per share)— authorized 5,000,000 shares; issued 2,852,854.89 shares | 28,528,549 | 28,528,549 |
| Additional paid-in capital (premiums less expenses on common stock issued) | 8,085,578 | 8,085,578 |
| Earnings retained for use in the business | 34,614,370 | 32,555,627 |
| Total capital and retained earnings | $ 81,028,497 | $ 78,969,754 |
| TOTAL | $186,366,381 | $184,209,553 |

Covenants limiting the payment of dividends on common stock and the purchase, redemption, or retirement of such stock are contained in the debenture indentures and in the note agreement. Under the most restrictive of these covenants the amount which could have been expended for the foregoing purposes at December 31, 1955 was limited to approximately $7,058,000.

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# First Effects of the British Credit Squeeze

By PAUL EINZIG

**Disinflationary measures are found taking effect but, unless the inflationary situation is corrected, Dr. Einzig expects Britain's Chancellor of the Exchequer to deliver a "tough" budget, April 12, and the stock market to be unhappy. Setbacks in some businesses and the government's fair but firm challenge to unions is believed halting the wage spiral, and in turn, requires firms to reduce prices, profits, and dividends. Dr. Einzig finds it important now that increased exports absorb goods freed from domestic consumption.**

LONDON, Eng. — Mr. Macmillan's disinflationary measures are at least beginning to show their effects. During the first two months of the year there has been a distinct slackening of demand for consumer durable goods. Both the automobile industry and the radio industry are beginning to feel the combined effect of the credit squeeze and the restrictions on instalment credit. A number of firms reduced their output, and this necessitated the dismissal of some of their workers. The total involved cannot be more than a few thousands all told, but many times more workers are put on short-time, or at any rate their over-time work has been stopped.

Dr. Paul Einzig

The extent of unemployment created so far is quite negligible. A state of over-full employment continues to prevail. Even though statistics of unfilled vacancies are not very up to date, there is reason to believe that the number of vacancies continues to exceed considerably that of the unemployed. The extent of the change in the employment position has not been sufficient to alter materially the balance of power between employers and employees, except perhaps in the motor industry and in the radio industry. Employees in the engineering industry have just succeeded in obtaining wages increases of between 8 and 9%, which means the creation of additional purchasing power amounting to at least £75 million a year. It is true, they originally claimed an increase of 15%. Possibly they would have held out for over 10% if it had not been for the setback in business activity in other industries. As far as engineering firms are concerned, they continue to work to capacity and their delivery dates are still too long. Having regard to this circumstance the comparatively conciliatory attitude of the engineering unions was a welcome surprise. One has to be thankful for small services these days.

In the course of March the Prime Minister, Sir Anthony Eden, will have a series of consultations with representatives of the Trade Union Congress and of the various employers' organizations. Similar consultations were held last summer, with the object of achieving better industrial relations and stopping the wages spiral. The result was entirely negative, because the unions then held all the trumps. Today the position is somewhat different. The unions must realize that Mr. Macmillan's recently announced measures were only the first instalment and that he is prepared to go much further to break the wages spiral. Even though Mr. Macmillan emphatically rejected suggestions that he should aim at creating unemployment as the only effective means of checking inflation, quite conceivably he will raise the bank rate further if necessary and this is liable to lead to more dismissals of workers. The unions are well aware of this and it is therefore, conceivable that they are prepared to moderate their wages demand in return for an undertaking by the Government not to carry the disinflationary measures too far.

There is reason to believe that the Government does not intend to drive a hard bargain. In the course of his imminent consultations, the Prime Minister is not expected to demand a wages freeze. He is expected to insist, however, that wages demands should be moderated considerably and deferred as far as possible during the period of the Government's disinflationary drive. The official argument runs as follows. With the contraction of domestic demand as a result of disinflationary measures, it has become more important than ever, in the interest of maintaining full employment, to increase exports. Although the fall in domestic demand will increase the exportable surplus in many goods, exports can only be increased if prices are competitive. Moreover, to the extent to which there is a decline in the output it is essential that this decline should be accompanied by a corresponding decline in consumer purchasing power. If the latter is maintained, or even increased, as a result of wages increases, then too much money will be chasing once more too few goods.

Once the inflationary situation is corrected, the increasing trend of output will be resumed. It will then become possible once more to grant wages increases without the risk of producing inflationary effects. The Prime Minister will appeal to the unions that they should exercise self-denial until such a change is brought about.

At the same time, the Government is expected to press employers' organizations to cut prices and to keep down profits and dividends as far as possible. This is essential, not only from the point of view of its direct effect on inflation, but mainly because of its effect on the attitude of labor. Wages restraint will become more practicable if it is combined with a restraint of profits and dividends. Some recently announced profits showed striking increases compared with the previous year. Trade union officials would find it difficult to restrain the appetite of their members unless they can point to a certain degree of self-denial by employers.

Perhaps it would be optimistic to expect that the present series of consultations will produce the desired result. Most probably it will be necessary to administer another dose of the disinflationary medicine before the unions can be induced to moderate their demands to a sufficient extent. Opportunity for this will be provided by Mr. Macmillan's first Budget, the details of which will be announced on April 10. Unless by some miracle a turn of the trend should occur within the next few weeks, it will have to be a "tough" Budget. It is no wonder that the Stock Exchange is not in a happy mood. The popular assumption is that things will have to get worse before they can get better.

## Halsey, Stuart Group Offers Bell Telephone 3¼% Debentures

Halsey, Stuart & Co. Inc. and associates yesterday (March 7) offered $35,000,000 of Bell Telephone Co. of Pennsylvania 40-year 3¼% debentures, due March 1, 1996, at 101.123% and accrued interest, to yield 3.20%. Award of the issue was won by the underwriters at competitive sale March 6, on a bid of 100.563%.

Net proceeds from the sale of the debentures will be used by the company to repay outstanding advances from its parent organization, American Telephone & Telegraph Co. These advances are expected to approximate $13,300,000 at the time the proceeds are received. The balance of the net proceeds will be used to reimburse the company's treasury for expenditures made for extensions, additions and improvements to its telephone plant.

The debentures are redeemable at the option of the company, at redemption prices ranging from 104.123% to par, plus accrued interest.

The Bell Telephone Co. of Pennsylvania is engaged in the business of furnishing communication services, mainly local and toll telephone service, in the Commonwealth of Pennsylvania. On Dec. 31, 1955, the company had 3,409,612 telephones in service, of which about 38% were in the Philadelphia metropolitan area and about 18% were in the Pittsburgh metropolitan area. The company furnishes toll service between points within the territory in which it operates, in certain cases in conjunction with connecting companies. Services of the company also include teletypewriter exchange service and services and facilities for private line telephone and teletypewriter use, for the transmission of radio and television programs and for other purposes.

For the year 1955, the company had total operating revenues of $297,275,380 and net income of $32,378,245.

Other members of the underwriting syndicate include: A. C. Allyn & Co. Inc.; Bear, Stearns & Co.; Blair & Co. Incorporated; Coffin & Burr Inc.; Lehman Brothers; L. F. Rothschild & Co.; Shields & Co.; Weeden & Co.; Gregory & Sons; H. Hentz & Co.; Ball, Burge & Kraus; R. S. Dickson & Co. Inc.; New York Hanseatic Corp; Baxter, Williams & Co.; Bache & Co.; Courts & Co.; Ira Haupt & Co.; The Illinois Co. Inc.; Wm. E. Pollock & Co., Inc.; Shearson, Hammill & Co., and Swiss American Corp.

### Boettcher Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Charles C. Hemenway is now with Boettcher and Company, 828 Seventeenth Street, members of the New York Stock Exchange.

### With Greenberg, Strong

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Barry S. Dunevitz is now with Greenberg Strong and Company, First National Bank Building.

### Joins Brown, Madeira

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla. — Harold R. Emery is now affiliated with Brown, Madeira & Co. Mr. Emery was previously with Security Associates, Inc. of Winter Park.

## *Our Reporter on Governments*

By JOHN T. CHIPPENDALE, JR.

The Treasury offered holders of the maturing 1⅝s and 1½s, the same choice as was given to owners of the December maturities. The December exchange or "roll-over" was not one of the most successful of the Treasury's refunding operations, because the attrition was large and the Federal Reserve Banks had to step in and make purchase of one of the issues which was offered in place of the securities which were coming due. The money situation, according to advices from Washington, is quite a bit better now and therefore no help is expected to be necessary from the Central Banks in this refunding.

The holders of the 1⅝s of March 15 had the option of exchanging this maturity for either the 11-month and 10 days 2⅝s or the 2⅞s due June 15, 1958, which issue was reopened for this operation. The owners of the 1½s due April 1 (and held almost entirely by the Federal Reserve Banks) were allowed to exchange this security only for the 2⅝s due Feb. 15, 1957.

### Reserve Banks to Take Shortest Issue

The Federal Reserve Banks as the largest owners of the maturing obligations will beyond any doubt accept the shortest maturity in the refunding offer of the Treasury. It had been rumored in the financial district that the Central Banks might be given an opportunity also of exchanging their holdings or at least a part of them for Treasury bills. The fact that the Federal Reserve Banks have been heavy sellers of the 91-day Treasury issue in order to keep the money market on the tight side has sharply reduced their holdings of the shortest Government obligation.

An exchange of the maturing securities which the Central Banks owned into Treasury bills would have replenished their position in the shortest maturity issues which has been used for money market control purposes. It is evident that as long as the presently prevailing "open market" policies are in effect, Treasury bills will be the only medium for carrying out such an operation.

### President's Decision Previously Discounted

The announcement by President Eisenhower that he would seek a second term appears to have had practically no effect upon the money markets. There is no denying, however, that while the country was looking for a decision from President Eisenhower, this uncertainty was a factor in the money market. It was the opinion of not a few money market specialists that changes might have been in the making as far as money matters were concerned, if President Eisenhower had decided not to be a candidate for a second term. However, as it turned out, the money markets had such a decision well discounted, because the effects of it upon quotations and yields in the Government market were almost non-existant.

Because psychology plays such an important part in our markets today, it has to be given consideration as a short range factor, and the decision of President Eisenhower to run again seems to have removed one of these conditioning factors from the money markets.

### Market Operations Reflect Business Trend

Even though the refunding operation of the Treasury is the all-important on the spot business for the money market, the economic picture is not being lost sight of by a long shot. It is evident that the demand for loanable funds is still very sizeable, but not as pressing as it was in the not-too-distant past. Therefore, there is more evidence appearing each day that money which ordinarily would be seeking an outlet in other than the money markets is being put to work in selected issues of Government securities.

It is indicated that these funds are being pretty well spread throughout the whole list, but the trend toward the most distant obligations apparently is somewhat more pronounced than it has been.

### May Re-open 3s of 1995

The demand for a long-term Government bond which would meet the needs of certain investors such as pension funds, both public and private, trust accounts, savings institutions, and to a more limited extent some commercial banks, does not appear to be in the offing for the immediate future. Nonetheless, it is believed in some quarters that if this demand for a long Government bond should continue to improve, the Treasury might be inclined to reopen the 3s of 1995.

Switches, according to advices, are still as important as ever to the Government market, with the discount 2½% bonds being well taken by those that have been moving out of the intermediate and short-term issues.

### With First Florida

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla. — Merrill A. Craig has become connected with First Florida Investors, Inc., 21 South Court Street.

### Curtis Merkel Adds

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — Charles Conrad has become connected with Curtis Merkel Company, Inc., 601 First Avenue, North.

### Joins Federated Secs.

(Special to THE FINANCIAL CHRONICLE)

WINTER PARK, Fla.—George A. Tyler is with Federated Securities Company, Inc., 539 North Orlando Avenue.

### With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla. — Donna J. MacDonald has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 568 Central Avenue.

### With E. F. Hutton Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — E. Richard Douglas is now with E. F. Hutton & Company, 623 South Spring Street.

### Joins Revel Miller

(Special to THE FINANCIAL CHRONICLE)

SANTA MONICA, Calif. — K. Alida Hall is now with Revel Miller & Co., Bay Cities Building.

## Fruehauf Trailer Co. Debentures Offered by Lehman Bros. Group

Lehman Brothers and associates yesterday (March 7) offered two debentures issues of Fruehauf Trailer Co. viz: (a) $37,500,000 of 4% convertible subordinated debentures due March 1, 1976 and (b) $10,000,000 of 4% sinking fund debentures due March 1, 1976. The convertible subordinated debentures are priced at 102½% and accrued interest, and the sinking fund debentures at 100% and accrued interest.

Purpose of the offering of the two issues is to provide additional working capital and funds to meet the needs of the company's expanding business. Annual sales during the last five years increased from $161,612,000 in 1951 to $234,612,000 in 1955, the highest annual volume in the company's history. The increased sales volume reflects new developments made by the company in the construction of trailer equipment including the new Volume Van line; and the growing needs of the transportation industry for over-the-high-way and railroad "Piggy Back" equipment. This increased sale volume has required additional working capital for the purposes of carrying increased inventories and financing sales of the company's product and also has required substantial expenditures for additional plant facilities. Initially, part of the proceeds from today's offering will be used to reduce current bank loans which were incurred to finance the expanded volume of business.

The subordinated debentures are convertible into common stock at $29 per share. The issue has the benefit of sinking fund provisions under which the company, at its option, may retire up to $1,875,000 annually beginning March 1, 1961 through 1965. Beginning March 1, 1966 through March 1, 1970, Fruehauf is required to retire $1,875,000 annually, and, at its option, may retire up to an additional $1,875,000 in those years. Beginning March 1, 1971 through 1975, it is required to retire $3,000,000 annually, and, optionally, may retire up to an additional $3,000,000 in each of the years.

Under the sinking fund provisions of the sinking fund debentures the company is required to retire $500,000 annually beginning March 1, 1961 and, at its option, may retire up to an additional $500,000 in each year.

Fruehauf Trailer Co. is the largest manufacturer of truck-trailers in the United States. The company, together with its wholly-owned subsidiary, Fruehauf Trailer Co. of Canada, Ltd, manufactures and sells approximately 50 different types of truck-trailers and accessories, parts and services. Fruehauf Trailer Finance Co., a wholly-owned subsidiary, finances installment sales of the company's products and since its inception in 1948 has grown to rank among the nation's largest installment finance companies. Thirteen manufacturing plants are located in the United States and one in Canada. In addition, Fruehauf operates 81 sales and service branches located on strategic commercial transportation routes throughout the United States and Canada.

### Barclay Inv. Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William H. Gardner is now with Barclay Investment Co., 39 South La Salle Street. He was previously with the City National Bank & Trust Company.

# NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Hugh G. Bergen, President of the Nassau County Bar Association, has been appointed to the Queens Advisory Committee of **The Chase Manhattan Bank, of New York,** J. Stewart Baker, President, announced on March 1. Mr. Bergen, a Past President of the Queens County Bar Association, is a member of the law firm of Weller, Rogers, Bergen, Rochford & Froessel in Jamaica.

* * *

The directors of the **City Bank Farmers Trust Company, New York,** have announced the appointment of Eben W. Pyne as Executive Vice-President and Director and Joseph E. Morris as Executive Vice-President.

At the same time Bascom H. Torrance, Vice-President, was given the additional title of Chairman of the Trust Investment Committee, and Alexander W. McGhee, Vice-President, was given the additional title of Treasurer.

Prior to his appointment, Mr. Pyne was Vice-President and Assistant to the President of the trust company. Mr. Morris was a Vice-President.

* * *

R. Keith Kane has been elected to the Board of Trustees of the **United States Trust Company of New York,** according to a statement released March 1 by Benjamin Strong, President. Mr. Kane, a member of the law firm of Cadwalader, Wickersham & Taft, served as Special Assistant to the Attorney General of the United States, 1940-1942; Special Assistant to the Secretary of the Navy, 1943-1945; Adviser to the United States Delegation to the United Nations Conference on International Organization in 1945. Mr. Kane is a member of the Advisory Board, Wall Street Investing Corporation.

* * *

The appointment of Walter A. Blankfort as Vice-President of **Sterling National Bank & Trust Company of New York** was announced on March 1 by the bank. Mr. Blankfort joined Sterling National at its main office, 39th Street and Broadway, on March 5. Before joining Sterling National, he was President of Walter A. Blankfort, Inc., a New York jewelry firm, which he founded in 1945. Prior thereto, he served as President of Geo. W. Steward Co., Inc., jewelers, from 1939 to 1945, and previous to 1939 he operated his own textile converting and sale representative organization.

* * *

Philip J. Chetta has been appointed an Assistant Secretary of **Manufacturers Trust Company of New York,** it was announced on March 7 by Horace C. Flanigan, President. He is assigned to the company's Empire State office, Fifth Avenue at 34th Street. Mr. Chetta had been a credit executive with Robbins Mills, Inc., from 1948 to 1954, and more recently with Amwool Financial Corporation. Prior to 1948 he had been associated with the National Credit Office, Inc., for 14 years.

* * *

The appointment of Richard C. Connolly as a new officer of the **Long Island Trust Company of Garden City, N. Y.** has been announced by Frederick Hainfeld, Jr., Long Island Trust Company, President. Mr. Connolly assumed his duties as an Assistant Vice-President on March 1 and is assigned to the main office in Garden City, Mr. Hainfeld stated. Mr. Connolly comes to the Long Island Trust Company from the **County Trust Company of White Plains, N. Y.,** where he served as an Assistant Vice-President since January, 1955. He has had 22 years of banking experience beginning in 1934 when he joined the staff of the Federal Reserve Bank as an analyst and bank examiner. He remained with the Federal Reserve until 1946 when he joined the Bankers Trust Company where his experience was primarily in the Trust Department. In 1954 he moved to the Chemical Corn Exchange Bank working on the development of new business and as a representative of their Special Services Division.

* * *

Ralph T. Tyner, Jr., Chairman of the Board and President of the **National Bank of Westchester at White Plains, N. Y.,** has announced the appointment of Frank Gollow, Jr., Assistant Vice-President, as Manager of the bank's 42 Oak Avenue office to succeed the late John F. Boland. Mr. Gollow formerly was assistant to Mr. Boland in this capacity. Mr. Gollow has been connected with the bank since 1932 when it was the **First National Bank and Trust Company of Tuckahoe.** Other managers of National Bank of Westchester in Tuckahoe are Ralph B. Feriola, Vice-President in charge of the Crestwood office, and Francis Link, Assistant Vice-President, in charge of the bank's Eastchester office.

* * *

Increased from $500,000 the capital of the **Highland-Quassaick National Bank & Trust Company of Newburgh, N. Y.** became $750,000 on Jan. 18 following the declaration of a stock dividend of $250,000.

* * *

Stockholders of **Marine Midland Corporation of Buffalo** at their annual meeting held on March 7 elected two new directors, William I. Myers, Dean of the New York State College of Agriculture at Cornell University and George C. Textor, President of **The Marine Midland Trust Company of New York.** Mr. Myers has occupied his present position since 1943 and has served Cornell University in various teaching and administrative capacities since his graduation there in 1914. From 1933 to 1938 he served as Governor of the Farm Credit Administration in Washington, D. C. He is Chairman of the National Agricultural Advisory Commission, and he is active in the administration of other commissions and is a member of the Board of Directors of Marine Midland Trust Company of Southern New York.

Mr. Textor has been with The Marine Midland Trust Company of New York since 1916. Elected Executive Vice-President and Secretary in 1952, he became President in 1955. He also serves on the board of directors of several corporations and is a member of the Association of Reserve City Bankers and a Governor of the Bankers Club of America. All of the present members of the Marine Trust Co. Board were reelected at the meeting. Shareholders also approved the increase in the number of authorized common shares from 10,000,000 to 12,000,000.

* * *

**The Carthage National Exchange Bank of Carthage, N. Y.** acquired recently by **Marine Midland Corporation** merged on March 5 with **The Northern New York Trust Company of Watertown, N. Y.,** another Marine Midland Bank. The Carthage National Exchange Bank, which had assets of approximately $5,712,000, has become the Carthage Office of The Northern New York Trust Company, which also operates offices in Adams, Alexandria Bay, Antwerp, Copenhagen, Evans Mills, Malone, Massena and Potsdam. Total resources of The Northern New York Trust Company are reported in the neighborhood of $65,600,000.

* * *

A stock dividend of $50,000, has brought about an increase in the capital of the **National Bank of Commerce of Portland, Me.,** from $500,000 to $550,000 effective Jan. 18, 1956.

* * *

With an addition to its capital of $150,000 the **City National Bank of South Norwalk, Conn.,** on Feb. 20 reported that the capital had been raised to $300,000, as compared with $150,000 previously; the increase was realized by a stock dividend of $50,000 and the sale of $100,000 of new stock.

* * *

The stockholders of the **Union County Trust Company of Elizabeth, N. J.** at their annual meeting on Jan. 17, approved, by vote of 104,970 shares in favor and 1,276 against, an amendment to the certificate of incorporation which provides that stock dividends may be paid from time to time at the discretion of the directors. Pursuant to such authority, President George W. Bauer has advised the stockholders as of March 1, that the bank's Board has declared a 4% stock dividend payable March 1, to the stockholders of record Feb. 7. In other words, this he said, is at the rate of one share for each 25 shares now held.

In our Dec. 1 issue, page 2326, it was noted that the directors were recommending that the stockholders at their annual meeting on Jan. 17 approve an amendment to the Certificate of Incorporation enabling the directors to declare stock dividends from time to time at their discretion. In his March 1 advices to the stockholders, President Bauer said in part:

"As indicated in my letter of Nov. 17, 1955 and as you may have gathered from the annual report, your bank continued to expand its facilities to meet the needs of the area. This means that a substantial amount of earnings must be retained in the business in order to preserve an appropriate relationship of capital to deposits. In case of a stock dividend, this is done by a transfer from undivided profits to capital account and does not result in a diminution of capital funds."

* * *

The **New Castle County National Bank of Odessa, Del.** (having common stock of $100,000) was merged with and into the **Equitable Security Trust Company of Wilmington, Del.** under the charter and title of the latter; the merger became effective as of Feb. 10.

* * *

A capital of $2,500,000 was announced by the **Third National Bank and Trust Co. of Dayton, Ohio** effective Jan. 17, increased from $2,200,000 as a result of a stock dividend of $300,000.

* * *

Increased from $750,000 the **Millikin National Bank of Decatur, Ill.** reported its capital on Jan. 20, as $1,000,000 as a result of a stock dividend of $250,000. The new capital became effective Jan. 20.

* * *

**The Stock Yards National Bank of South St. Paul, Minn.** has added to its capital to the extent of $100,000 by a stock dividend, whereby its capital became $500,000 effective Jan. 19, against $500,000 previously.

* * *

**The Fourth National Bank in Wichita, Kan.,** on Feb. 15 reported a capital of $4,000,000, as compared with $3,000,000 previously. A stock dividend of $500,000 and the sale of a like amount of new stock were the means of enlarging the capital.

* * *

The capital of the **Traders National Bank of Kansas City, Mo.** was raised to $1,000,000 from $800,000 as of Feb. 15, the increase having been brought about by a stock dividend of $100,000, and the sale of new stock of a similar amount.

* * *

**The First National Bank of Montgomery, Ala.** which in January increased its capital from $1,500,000 to $1,750,000 by a stock dividend of $250,000 has further enlarged the capital by the sale of $250,000 of new stock, thus bringing the capital to $2,000,000 as of Feb. 23. The previous increase was noted in these columns Feb. 23, page 956.

* * *

Bank regulatory authorities have approved the merger of **Southern Commercial & Savings Bank of Pasadena, Calif.** with **First Western Bank and Trust Company of San Francisco,** J. Arthur Taylor, Vice-Chairman of the Board of Directors and First Western's Senior Executive in Southern California, announced on March 2. Shareholders of the two banks had previously voted for the consolidation. The Pasadena bank's two offices became an integral part of First Western's statewide system on March 5. The Southern Commercial & Savings it is reported had resources of $13,652,000 at the end of 1955 and total deposits of $12,351,000. In addition to its main office in Pasadena it has a branch office in San Marino. The consolidation gives First Western its fourth office in Pasadena and its first in the city of San Marino. The same day (March 5) the two offices of Southern Commercial & Savings Bank were added to the First Western system the bank opened a new office in **Westlake Shopping Center,** a suburb of San Francisco. Thus March 5, First Western's system reported 73 offices in 56 California communities. The proposed merger of the Southern Commercial & Savings Bank of Pasadena with First Western Bank & Trust was noted in our Feb. 9 issue, page 740.

* * *

Frank L. King, President of the **California Bank of Los Angeles** in a letter to shareholders regarding the proposed merger of **Hollywood State Bank of Los Angeles** into California Bank, stated that California Bank will acquire all assets and assume all deposit and other liabilities of Hollywood State Bank and in exchange therefor the 28,395 outstanding shares of Hollywood State Bank will be converted into 79,506 shares of California Bank stock to be issued for that purpose. Upon the merger becoming effective, Wade E. Bennett, President of Hollywood State Bank, will become a Vice-President of California Bank and will have administrative supervision of the bank's offices in the Hollywood and Brentwood areas. All other members of the Hollywood State Bank staff will continue in their accustomed places. Shareholders of the banks will act March 29 on the merger agreement. California Bank presently has 49 branch offices throughout the Los Angeles Metropolitan area. Its total resources are in excess of $800,000,000. Hollywood State Bank's head office is located at Highland Avenue and Santa Monica Boulevard. The bank has total resources of more than $43,000,000. An item bearing on the proposed merger appeared in our Feb. 16 issue, page 854.

* * *

More than $1,000,000 has been added to the capital of the **Citizens National Trust & Savings Bank of Riverside, Calif.** as a result of which the capital has become $4,968,000 increased from $3,846,000, the new capital having been brought about by the sale of $552,000 of new stock, and a stock dividend also of $552,000. The enlarged capital became effective Feb. 23.

* * *

**The Canadian Bank of Commerce,** head office, **Toronto,** has announced that George B. Currie, an Assistant General Manager, has assumed charge of the **Ontario** (Canada) region of the bank. He succeeds Kenneth A. Gardner, Assistant General Manager, who will shortly assume charge of the bank's credit division at the head office in **Toronto,** Canada.

George B. Currie

Following graduation from McMaster University in 1947, Mr. Currie had experience in various branches of the bank and at the head office. Since 1952, he has served successively as Assistant Manager in Hamilton (Canada), Inspector at the head office and Assistant Manager of the main Toronto branch.

* * *

The directors of the **National Bank of India, Ltd.** have declared a second interim dividend for the year ended Dec. 31 last of 7½%, less income tax, payable on and after April 3. This interim dividend has been declared now in place of the final dividend which would normally be recommended for approval at the Annual General Meeting, the date of which will be notified to Shareholders later.

* * *

**Credit Suisse, Zurich,** one of the oldest and largest Swiss banks, adopted on March 5 the name **Swiss Credit Bank** as its legal title in English to give English speaking people a better idea of the firm's business functions, according to W. Niklaus, senior agent of the American branch in New York City. "Although we are known to literally thousands of people here," Mr. Niklaus said, "we believe this change in title will provide a clearer picture of our activities for even more people." Activities of the New York Agency, which was established in 1940, include: Foreign exchange, foreign remittances, loans and discounts, commercial and travelers letters of credit, collections, and the purchase, sale and safekeeping of securities. As of Dec. 31, 1955, Credit Suisse it is indicated had total assets of 3,040,000,000 Swiss francs, equal to approximately $709,000,000. Net profits increased from 19,300,000 Swiss francs ($4,500,000) in 1954 to 21,500,000 Swiss francs ($5,010,000) in 1955. The bank has 30 offices throughout Switzerland in addition to its home office in Zurich. Its affiliated companies are **Swiss American Corporation,** New York City; and **Credit Suisse** (Canada) Ltd., Montreal.

## Joins Burton, Dana

John J. Wentworth has joined the New York office of Burton, Dana & Co., 120 Broadway, New York City, members of the New York Stock Exchange, as a registered representative, the firm announced. Mr. Wentworth was formerly with White, Weld & Co.

## Morgan Stanley Group Underwrites Riegel Paper Corp. Offerings

Riegel Paper Corp. is offering to holders of its common stock the right to subscribe for 194,155 shares of additional common stock at $30 per share at the rate of one share for each five shares held of record March 6, 1956. The subscription offer will expire at 3:30 p.m. (EST) on March 20, 1956 and any unsubscribed shares will be purchased by a group of underwriters headed by Morgan Stanley & Co. Concurrently $6,000,000 of the company's 3⅞% sinking fund debentures due 1981 were offered yesterday (March 7) to the public at 10 % and accrued interest by Morgan Stanley & Co. and 12 other investment firms.

The debentures will have a sinking fund of $260,000 annually commencing in 1959 which will retire the entire $6,000,000 issue by maturity. Sinking fund redemption prices will range from 102% to and including Feb. 1, 1960 to the principal amount after Feb. 1, 1976. Optional redemption prices will scale from 104% to and including Feb. 1, 1960 to the principal amount after Feb. 1, 1976.

The company will use the proceeds from the sale of the debentures and the additional common stock principally to finance a large scale expansion of its properties in North Carolina estimated to cost $14,300,000. This expansion will include the addition of a large paper machine and increases in pulp capacity to 500 tons per day and additional purchases of timberlands.

Riegel Paper Corp. produces a broad line of papers and bleached kraft pulps. The products include glassine, greaseproof, and other flexible packaging papers, and industrial, printing and other specialty papers. The company is one of the two largest domestic producers of glassine and greaseproof papers.

Net sales have increased from $28,031,000 in 1950 to $50,978,000 in 1955. For the latest fiscal year net income was $2,418,000, equal to $2.46 per share of common stock.

The company or its predecessors have paid cash dividends on the common stock in each year since 1891. A dividend of 30 cents has been declared payable Mar h 10, 1956 to holders of record Feb. 27, 1956. This dividend will not be payable on the shares of additional common stock involved in this financing.

## J. L. Morgan V.-P. of Slayton & Co. Inc.

ST. LOUIS, Mo.—J. L. Si Morgan, director of sales for Slayton & Co., Inc. since 1953, has been elected a Vice-President and director of the firm, Hilton H. Slayton, President of the company, announced. Slayton & Co. is the principal underwriter of Managed Funds, Inc.

Mr. Morgan will continue as director of sales. He entered the mutual fund field in 1950 as Texas divisional manager for King Merritt & Co., with offices in Waco, where he remained until joining Slayton & Co. three years ago.

### With B. C. Morton

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Willie C. Stuart is now with B. C. Morton & Co., 1752 West Adams Blvd.

### Joins Paine, Webber

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Rodger W. Bridwell is now affiliated with Paine, Webber, Jackson & Curtis, 626 South Spring Street.

# Realistic Utility Regulation In an Expanding Economy

By P. M. SCHUCHART*
Director, Public Utilities Department
Florida Railroad and Public Utilities Commission

**Florida utility commissioner reviews regulatory policies that have provided increased and adequate facilities, with financial integrity, and in turn fostered Florida's investment growth. Mr. Schuchart construes regulatory activities as: (1) protecting public from utility, utility from the public, and utility from itself; (2) determining the rate to protect and attract capital; and (3) computing dollar requirements of the utility in order to determine the rate. The rate base is allowed to record plant investment at its year-end investment level; working capital as one-eighth of operating, maintenance and costs; construction work in progress as that work completed but not transferred to plant accounts; and permits automatic escalation to fuel and commodity index price changes.**

This, the second half of the 20th Century, presents to each of us each day problems unheard of—problems almost undreamed of. Atomic generation of electrical energy is at our doorstep; while in communications, electronic switching and customer long distance dialing are out of the laboratory—no longer merely a gleam in the eye of the scientist.

These problems nationwide are coincident with normal and natural growth, as well as changes and improvements in the art.

These problems section-wide are brought more sharply into focus by increased development of natural resources, re-deployment of existing or establishment of new industry, and by a shift of population.

All of these have had and are having a profound effect on Florida. The reliable Florida sun, our priceless asset, draws tourists all year long—5,000,000 of them this year. Some of these tourists stay as farmers or workers and more would like to. Many return as senior citizens, with their pensions or annuities, flocking to take advantage of our friendly climate and spend the fall of their years in well-deserved restful peace and slothful ease.

Put these all together and they spell Expansion with a capital "E," and Growth with a capital "G."

Careful analysis of the results already achieved to meet this challenge of expansion, and the well-formulated plans for the immediate future, bring a reaction not unlike that of the Pennsylvania Dutchman the first time he saw a giraffe at the Allentown Fair. Taking one look at the long neck, the strangely shaped head and the distinctive coloring, he exclaimed, "It's a damn lie! There ain't no such animal."

Let's take a quick look at the startling statistics of our substantial and permanent growth. The investor-owned power companies, excluding REA Cooperatives and municipally-owned operations such as Jacksonville, Orlando, Key West and Tallahassee, in 1955 added over 70,000 new customers, with gross plant additions of over $83,000,000.

Telephone companies, Bell and Independent, had a net station gain of over 85,000, with gross plant additions of over $65,000,000. And still almost 50,000 await service pending completion of construction projects involving new buildings, new and increased central offices and additional outside plant.

The manufactured gas industry in the last three years shows an increase of almost 1,800 new customers, with gross plant additions of almost $2,500,000.

Provisional estimates of these utility companies from 1955 through 1960 anticipate more than 450,000 new power and gas customers and a net station gain of 600,000 telephones. To meet these growth demands will require gross plant additions of about $1 billion.

These figures of past results have not been dreamed up by any bureaucratic agency. They have been taken directly from the annual reports filed with our Commission.

As to future plans, neither have these figures been dreamed up by any bureaucratic agency, whose chief accomplishment is the operation of a calculating machine or the manipulation of a slide rule. These figures have been provided by hard-boiled management of the companies involved, whose responsibility it will be to raise the funds necessary, and who may one of these days come into your office—not hat in hand—but with a solid prospectus, giving you an opportunity to invest in the fastest growing State in the Union.

For those in the public utility business what does this mean?

For the electric industry it means more generating plants, more transmission lines, more distribution and the opportunity to contribute to the communities' growth.

For the communications industry it means more central offices, more outside plant, more toll facilities and more service to more people.

For the gas industry it means more production capability, more extension of mains, and the acceptance of the responsibilities of service.

For all it means more of everything—more careful management—more efficient operation.

But, above all, it means recognition of the fact that a public utility is a public trust and not private opportunity for private exploitation.

For those in public utility regulation what does this mean?

It means the bold and forthright execution of the functions traditionally, historically and legally assigned to these agencies.

But what are these functions?

The first function is the traditional and historical one—to protect the public from the utility. Far be it from me to even attempt any picture of the big, grasping utility about to swallow or trample an unsuspecting public. Far be it from me to even attempt any picture of any utility as being the acme of altruism. I do submit, however, that either such picture would be merely a caricature, drawn and publicized by those who are either completely unacquainted with the facts, or who chose such an apparition as a means towards a political end.

The second function is to protect the utility from the public. There have been, and there always will be, those who oppose anything and everything a utility proposes. It is immaterial whether the proposal is for permission to expand its financial or corporate structure, acquire additional territory into which to extend its facilities and services, or to secure an adjustment in rates. Sometimes, I suspect, there are even those who would oppose a rate decrease purely on the principle that they are "agin" everything a utility is for. Truly they would beware the Greeks when they are bearing gifts.

The third function, strange as it may seem, is to protect a utility from itself. This is not only in connection with rates and charges for services rendered, accounting procedures and depreciation computations, but also willingness or unwillingness to extend or expand facilities.

The fourth function is to supervise and permit the construction and application of such rates as will protect the capital embarked in the enterprise—to permit the utility to earn enough to attract additional capital necessary to enable it to render adequate service. When rates accomplish this, they are fair and equitable to the owners of the capital. They maintain the financial soundness and integrity of the business. They are fair to the consumers, for it is indeed the consumer, and no one else, who pays for the cost of service.

How has the Florida Commission accepted its responsibilities for this bold and forthright execution of its functions?

Let us look at the record.

### The Rate Base

By law this Commission is required to "investigate and determine the actual legitimate costs of the property of each utility company, actually used and useful in the public service, and keep a current record of the net investment of each public utility company in such property which value, as determined by the Commission, shall be used for rate-making purposes and shall be the money honestly and prudently invested by the public utility company in such property used and useful in serving the public, less accrued depreciation, and shall not include any goodwill or going-concern or franchise value in excess of payment made therefor."

For the Plant Investment in the rate base the Florida Commission has chosen to use the investment level at the end of the test period rather than the average investment. Surely, in an expanding economy, this year-end investment needs no defense, but a case in point is that of the Florida Power Corporation decided in July, 1953. The investment at the end of the test period amounted to some $93,000,000—the average investment for the test period was some $87,000,000, but by the time the case had been presented and was ready for adjudication the actual investment amounted to some $103,000,000. Since rates are being set for the present and for a reasonable time in the future, with all fairness the end of the year investment must be used.

Working Capital is a legitimate requirement and deserves a well-defined place in the rate base. In that same case, the Commission allowed one-eighth of the company's annual operating and maintenance expenses and costs. An additional allowance was made to cover prepayments at the end of the year properly chargeable to operating expenses, but which at that time had not been transferred to the appropriate accounts.

As for Construction Work in Progress, we include as part of the rate base that work completed and in service but which has not been transferred to the appropriate Plant Accounts. Construction Work in Progress on which no interest has been capitalized is also allowed as part of the rate base. It is also our policy to allow Plant Held for Future Use where such property is owned and held for imminent use in serving the public under a definite plan for such use.

### Rate of Return

It seems inconceivable that the rate of return, as important as it is, in a discussion like this, can be dismissed with a few words. Yet, that is exactly what I am going to do, for the Florida Commission has never been greatly concerned over the rate of return as the rate of return. It has been much more interested in the dollar requirements of the utility. How many dollars does the utility require in order to meet its operating expenses, depreciation charges, taxes, maintenance expenses, debt service, dividend requirements and to transfer a reasonable amount to surplus? When the Commission has been able to determine the answer to these questions, then the rate of return becomes a simple matter of computation.

Small companies have more serious problems in raising funds for expansion and their cost of capital is higher. This we have recognized. A small independent telephone company in Quincy was permitted a return of 8%. The Inter-County Telephone and Telegraph Co., a larger company, was permitted a return of 7%. In 1952 Southern Bell Telephone and Telegraph Co. was permitted a return of 6.12%. In that same year the Peninsular Telephone Co., one of the largest independent companies in the United States, was permitted a return of 6.8%, and in July, 1953, the Florida Power Corp. was allowed 6.45%.

Returning to the Florida Power Corp. order, in discussing the rate of return the Commission said: "At the present time a rate of only 6% would not appear to be fair and reasonable for a public utility which is engaged in a tremendous expansion program which must be financed by the issuance and sale of large amounts of bonds and stocks of the utility. In view of the current cost of capital and the condition of the money market of today, concerning which there appears to be no immediate prospect for improvement, a rate of return of something in excess of 6%, but less than 6½%, would in our opinion be reasonable. In our opinion Applicant would require a rate of return of 6.45% in order to pay its taxes, depreciation expenses, debt service and provide a fair and reasonable rate for its common stockholders."

After all, the objective in utility rate making is to develop rates that are fair and reasonable. Fairness and reasonableness are qualities to be determined by the judgment of reasonable-minded men and cannot be determined with hairline precision by the application of mathematical formulas.

### Automatic Adjustment Clauses

The Florida Commission has authorized the use of Automatic Fuel and Commodity Adjustment Clauses.

"Fuel Clause Adjustment" provides for an adjustment to the base rate in response to changes in the cost of fuel as fuel and nothing more. No adjustment is made for changes in efficiency from the viewpoint of thermodynamics.

Such an adjustment in utility rate structure is a reliable and dependable tool that can be used to automatically adjust revenues, compensating for changes in fuel costs, and these costs have a notorious record for unreliable behavior.

Such a clause is realistic. It is based either on the kwh. per ton of coal, per barrel of oil or for MCF natural gas. It is based on operating data that can be readily and accurately obtained and checked at any time.

The plan is equitable. If the price of fuel decreases, the customer immediately receives the benefits of the operating cost savings. If the price of fuel increases, the company is protected by the automatic operation of the clause.

The clause is practical. It is one of the most practicable tools in our free enterprise system. By utilizing it, the company and the prospective customer can enter into a long-term contract and be reasonably certain the benefits and costs associated with the contract will be equitably and promptly proportioned to the changes in cost levels.

It is an automatic regulator, with the inherent ability to provide a considerable amount of relief to presently over-burdened regulatory dockets.

A commodity adjustment is warranted only if the following conditions are fulfilled:

(1) The commodity index employed must be developed and published by an impartial and competent Government agency, such as the U. S. Department of Commerce.

(2) The basic rates to which the factor is to be applied must be just and reasonable and properly reflected in the basic operating and maintenance costs.

(3) It must be so devised that its application to the basic rates will always result in billing rates which are just and reasonable under the economic conditions then prevailing.

(4) The price fluctuations must be indicative of, and comparable with, fluctuations in operating and maintenance costs.

These adjustments do not usurp or delegate regulatory authority. They certainly tend to make costly rate investigations less frequent. They provide flexibility where it is needed, when it is needed, and in direct proportion to the need and that is realistic regulation.

By this realistic and progressive regulatory supervision, helpful but firm, the Florida Commission has accepted its responsibility to provide with all possible haste increased and adequate facilities and, at the same time, maintain the financial integrity of the investor-owned utilities.

This is our philosophy—this is our policy—deliberately conceived and conscientiously executed.

*An address by Mr. Schuchart before the Philadelphia Society of Security Analysts, Philadelphia, Pa., Feb. 16, 1956.

## Joins Goldman, Sachs

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Harold N. Chefitz has joined the staff of Goldman, Sachs & Co., 75 Federal Street.

## Joins Carr & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Theodore A. Armstrong has become associated with Carr & Company, Penobscot Building, members of the Detroit Stock Exchange.

## Babo Opens Office

(Special to THE FINANCIAL CHRONICLE)

SAN RAFAEL, Calif.—Frederic F. Babo is conducting a securities business from offices at 2010 Fourth Street.

## Mason Hagan Branch

ROANOKE, Va.—Mason-Hagan, Inc. has opened a branch in the Colonial American National Bank Building under the direction of Thomas Martin.

## Murphey-Favre Branches

SPOKANE, Wash. — Murphey-Favre, Inc. has opened a branch office in Walla Walla and at 2 North Mission, Wenatchee, Wash.

## Savard & Hart Branch

MIAMI BEACH, Fla.—Savard & Hart have opened a branch office in the MacFadden-Deauville Hotel under the direction of D. H. Vermette.

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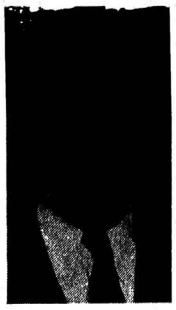

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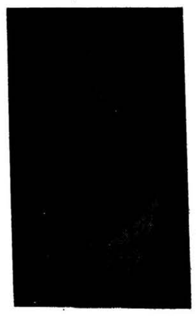

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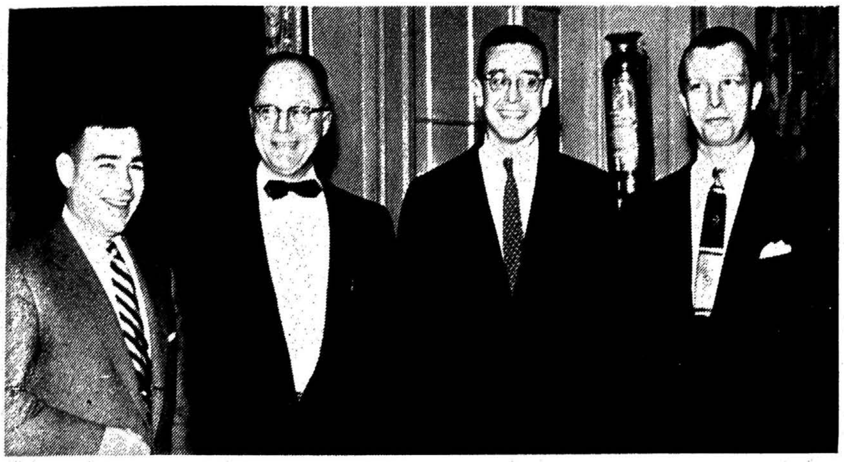

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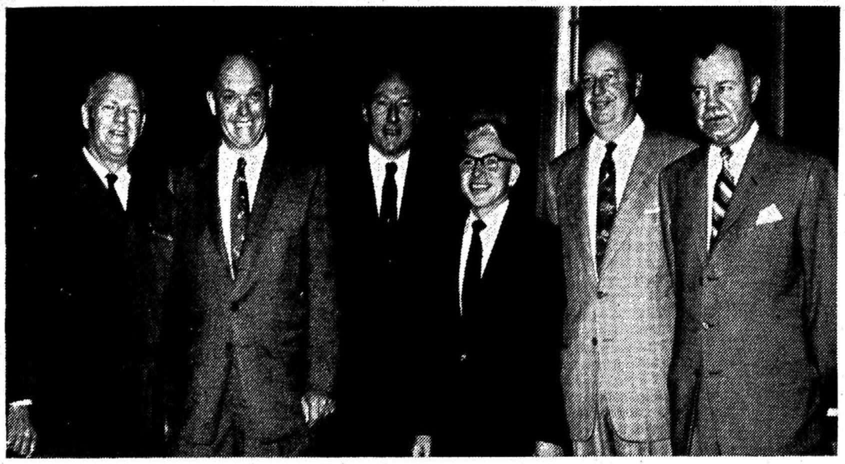

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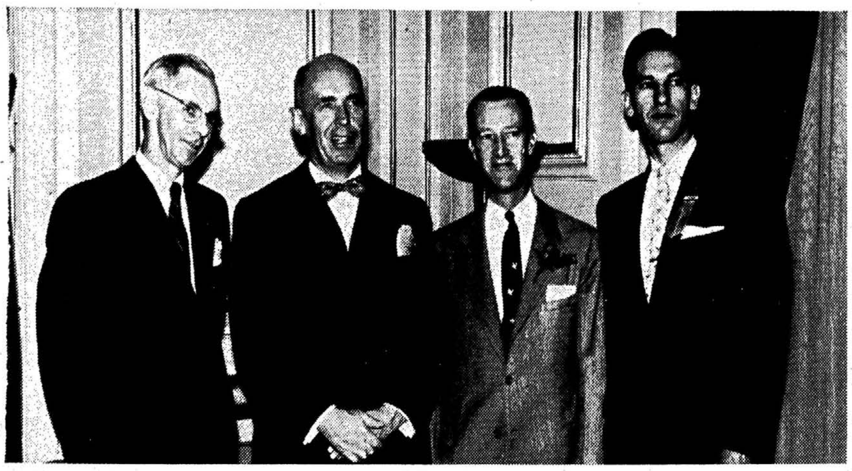

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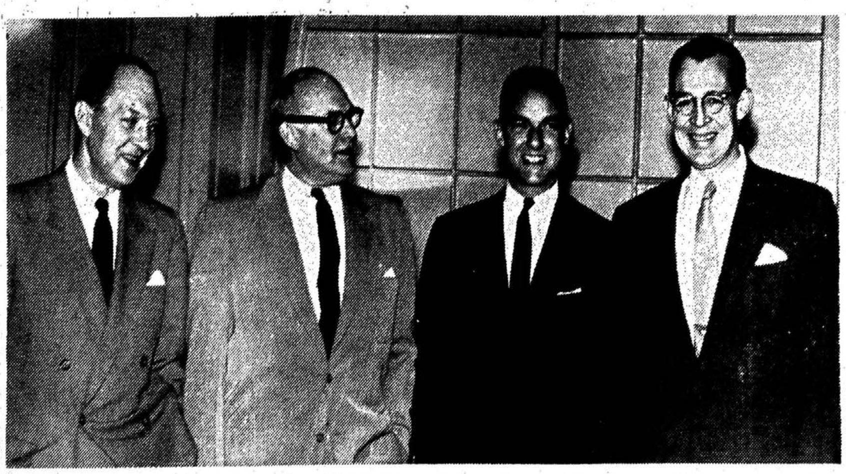

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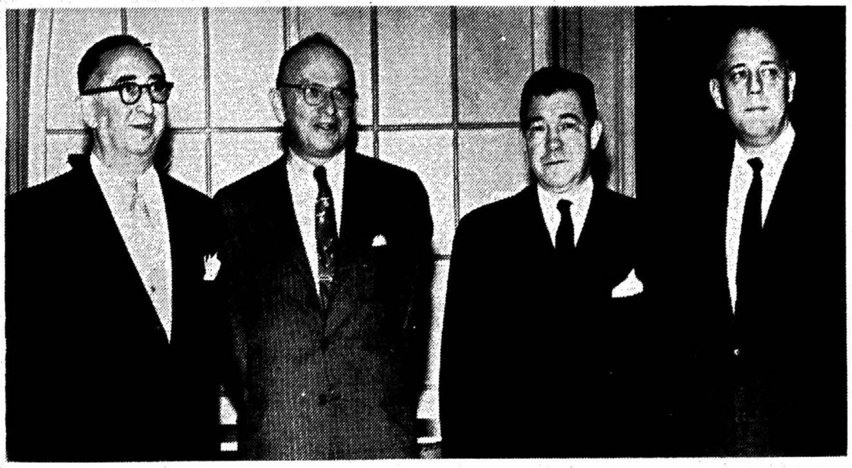

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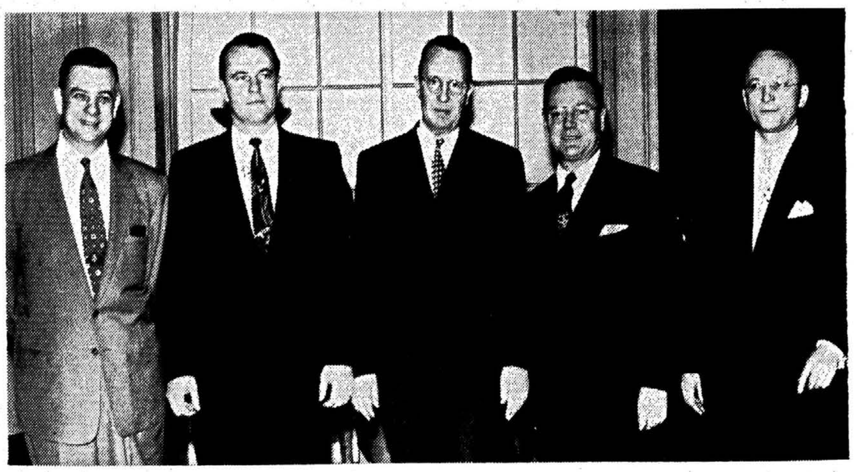

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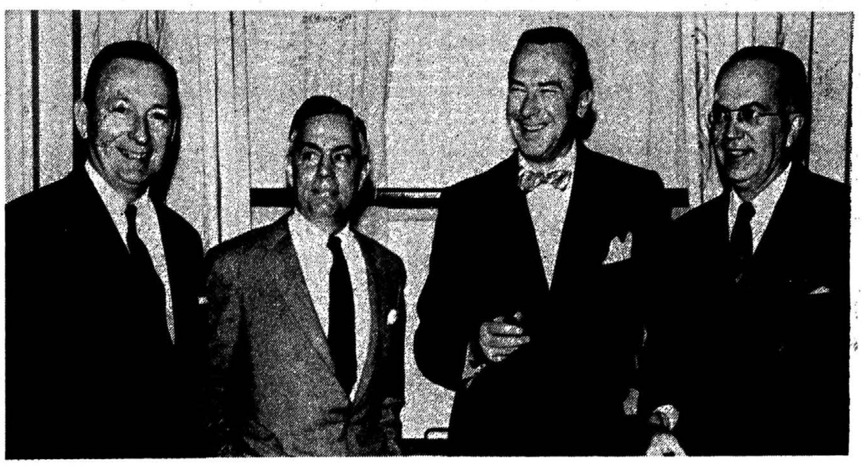
Jim Mundy, *Stroud & Company, Incorporated*; Lester Frenkel, *Gersten & Frenkel*, New York; Skip Clemence, *Cosgrove, Miller & Whitehead*, New York; Gil Lothrop, *W. E. Hutton & Co.*, Boston



Coit Williamson, *Schmidt, Poole, Roberts & Parke*; Donald Hayden, *Baumgartner, Downing & Co.*, Baltimore; Arthur Horton, *Penington, Colket & Co.*; Grant Campbell, *Janney, Dulles & Co., Inc.*

Jack Barker, *Lee Higginson Corporation*, New York; William Schmidt, *Laird, Bissell & Meeds*, New York; Maurice Hart, *New York Hanseatic Corporation*, New York; Irving Feltman, *Mitchell & Company*, New York

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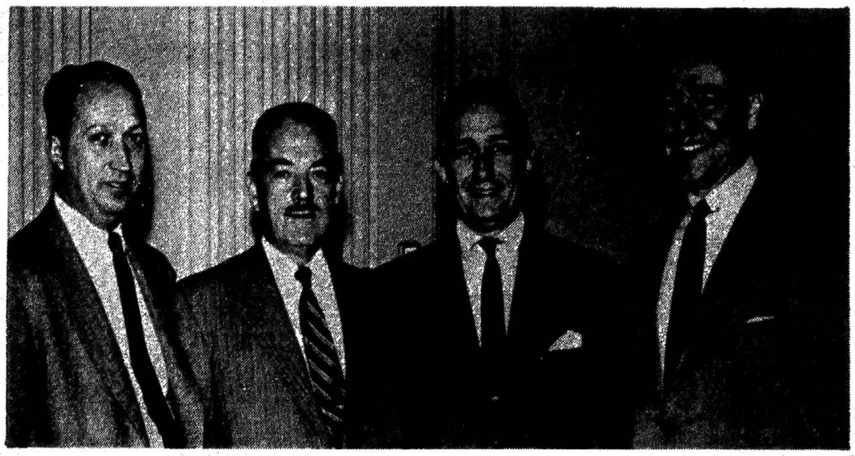


Frank Laird, *Stroud & Company, Incorporated*; John Hines, *Dean Witter & Co.*, New York; Harry Maneely, *Montgomery, Scott & Co.*; Russ Harris, *Eastman, Dillon & Co.*

Ned Phillips, *Samuel K. Phillips & Co.*; Carl Necker, *Schaffer, Necker & Co.*; A. L. Hutchinson, *Kidder, Peabody & Co.*; Al Willis, *H. M. Byllesby and Company, Incorporated*

Jack Gessner, *Mabon & Co.*, New York City; Bert Cassidy, *Mabon & Co.*, New York City; Bill Russell, *Mabon & Co.*, New York; Homer Wirth, *Mabon & Co.*, New York City; Bill Kumm, *Coggeshall & Hicks*, New York City

Herb Singer, *Singer, Bean & Mackie, Inc.*, New York; Joseph Markman, *Newburger & Co.;* Al Barkow, *Newburger & Co.;* John Jennings, *Reynolds & Co.*

Frank McKee, *Beneficial Savings Fund;* Joseph Smith, *Newburger & Co.;* Joseph J. Frieri, *J. W. Sparks & Co.;* Walter Fixter, *J. W. Sparks & Co.*

Jim McFarland, *Hecker & Co.;* Herman Frankel, *Singer, Bean & Mackie, Inc.*, New York; George Sulzberger, *Hallowell, Sulzberger & Co.;* Tom Brown, *Chas. King & Co.*, New York

Tony Coculo, *Fidelity Philadelphia Trust Company;* Walter Fixter, *J. W. Sparks & Co.;* Belford Thompson, *Girard Trust Corn Exchange Bank;* Ed Boyle, *Girard Trust Corn Exchange Bank;* Jack Foard, *Girard Trust Corn Exchange Bank*

Bob Greene, *Stroud & Company, Incorporated;* Helen Schnetke, *Raffel & Co;* Walter Fink, *Kidder, Peabody & Co.;* Bud Schaufler, *Schaffer, Necker & Co.*

Arthur L. Wright, *Arthur L. Wright & Co., Inc.;* Newt Parkes, *Gerstley, Sunstein & Co.;* Leon Sunstein, Jr., *Gerstley, Sunstein & Co.;* Bill Schreiner, *F. J. Morrissey & Co.*

A. W. McCaulley, *Hallowell, Sulzberger & Co.;* Fred Underwood, *Boenning & Co.;* Jack Manson, *Hardy & Co.,* New York; John Stein, *Wm. V. Frankel & Co. Incorporated,* New York

Irv Renneisen, *Hunter Securities Corporation,* New York; George Jones, *De Haven & Townsend, Crouter & Bodine;* Fred Carter, *De Haven & Townsend, Crouter & Bodine;* Larry Griffiths, *De Haven & Townsend, Crouter & Bodine;* Ed Evans, Philadelphia National Bank

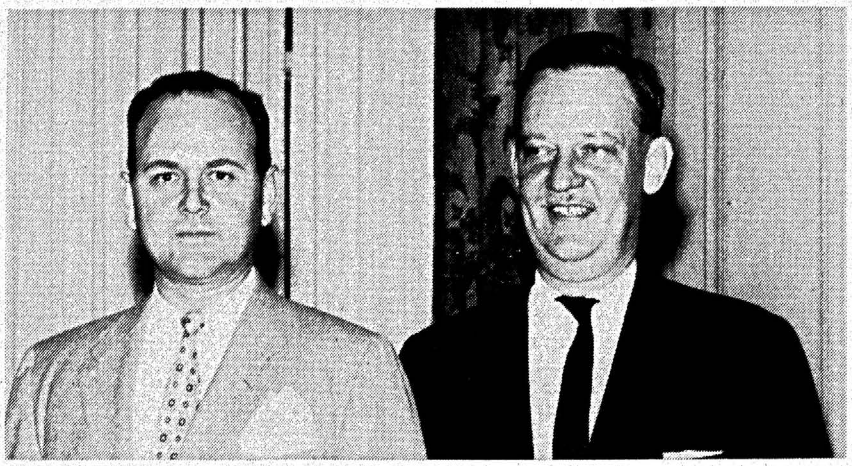
Sylvester Bies, *E. S. Ladin Company*, New York; Edwin Markham, *Wertheim & Co.*, New York; Bill Meyers, *Gordon Graves & Co., Inc.*, New York; Stan Jeffries, *Newburger & Co.*

John Murphy, *Hornblower & Weeks;* Joseph McNamee, *Hopper, Soliday & Co.;* "Duke" Hunter, *Wellington Hunter Associates*, Jersey City, N. J.; Jack Kearton, *National Quotation Bureau*

Tom Love, *Geo. E. Snyder & Co.;* Bill Caldwell, *First Boston Corporation*, New York; Jack Weller, *Goldman, Sachs & Co.;* Walter V. Kennedy, *Coffin & Burr, Incorporated*, New York

Willard Rice, *Eastman, Dillon & Co.;* William Radetzky, *New York Hanseatic Corporation;* Jack Fant, *Penington, Colket & Co.;* Vincent Lytle, *Shields & Company,* New York; Bob Hart, *Euler & Hart*





Cormac Tully, *Weeden & Co.,* New York; Charles O'Brien Murphy III, *Pearson, Murphy & Co., Inc.,* New York



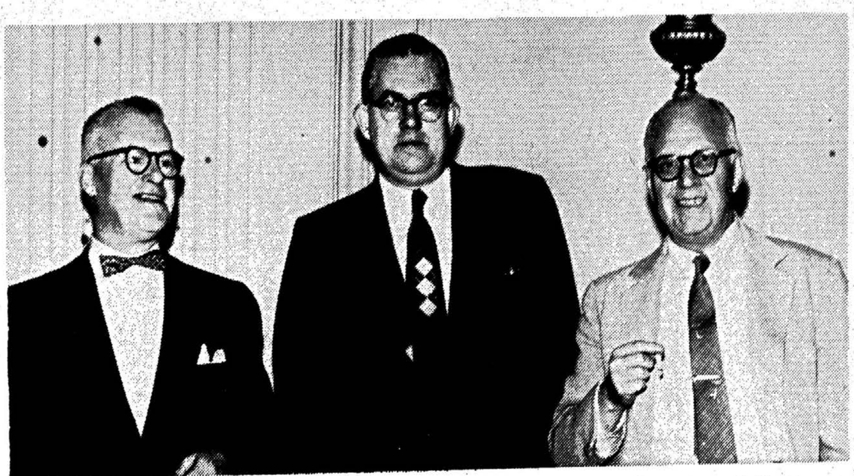
Jim Traviss, *Goldman, Sachs & Co.;* Ray Forbes, *Shearson, Hammill & Co.,* New York; Anne Trent, *Trent & Co.,* New York; Leon Dorfman, *Goldman, Sachs & Co.,* New York



Dayton Haigney, *Dayton Haigney & Co., Inc.,* Boston; Mitch Bruck, *Stein Bros. & Boyce,* Baltimore; Frank Ronan, *New York Hanseatic Corporation,* New York

John Hudson, *Thayer, Baker & Co.;* Carroll Williams, *Laird, Bissell & Meeds,* New York; Cliff Remington, *Woodcock, Hesse & Co., Inc.;* J. Edward Knob, *Drexel & Co.*

Bud Hardy, *First Boston Corporation;* Harry Green, *Merrill Lynch, Pierce, Fenner & Beane;* Charles Brennan, *Blyth & Co., Inc.*



Ed Davis, *Rambo, Close & Kerner, Inc.;* Allyn La Rash, *Paine, Webber, Jackson & Curtis;* Fred Snyder, *Harry C. Dackerman & Co.*

John Flynn, *E. W. Clark & Co.;* John J. Tierney, *Carl M. Loeb, Rhoades & Co.,* New York; E. Borer, *Sheridan, Bogan Paul & Co., Inc.;* Malcolm Weiss, *A. W. Benkert & Co., Inc.,* New York

H. R. Derrickson, *Walston & Co., Inc.;* W. D. Fleming, *Walston & Co., Inc.;* Ross Watson, *Girard Trust Corn Exchange Bank;* Al Black, *Philadelphia "Evening Bulletin"*

Hal Murphy, *"Commercial & Financial Chronicle";* Helen Schnetke, *Raffel & Co.* Stan Jeffries, *Newburger & Co.*

Joseph A. Harkins, *Fitch Publishing Co.;* Ed Knob, *Drexel & Co.;* George E. Alluisi, *Philadelphia "Inquirer"*




Geo. Rebmann, *Laird, Bissell & Meeds,* Philadelphia; Louis Gibbs, *Laird Bissell & Meeds,* New York; George Harrison, *Laird, Bissell & Meeds,* Philadelphia; Carroll Williams, *Laird, Bissell & Meeds,* New York

## Central States IBA Group 20th Conference

CHICAGO, Ill. — Highlight of the 20th annual conference of the Central States Group of the Investment Bankers Association of America, to be held in Chicago on March 14 and 15, will be an open municipal forum on the Illinois State Toll Highway program.

Chairmanned by Walter J. Fitzgerald, Jr. of Blunt Ellis and Simmons, the session will feature Austin L. Wyman, Chairman of the Illinois commission, Charles L. Dearing, its Executive Director, and George L. Jackson, Chief Engineer. They will participate in a discussion of the construction, operation, financing and future plans of the newly-created government body.

The Central States Group of the IBA covers the states of Illinois, Indiana, Wisconsin, Nebraska and Iowa.

The open municipal forum will be held at 10:30 a.m. on Wednesday, March 14 at the Drake Hotel (Chicago).

Other programs scheduled for the two-day meeting are a luncheon on March 14 with Judson S. Sayre, President of the Norge Division of Borg-Warner Corporation speaking on "Random Thoughts of a Sales President."

At 2:30 p.m. there will be a forum presided over by William J. Lawlor, Jr., Hornblower & Weeks. Charles T. Broderick, economist for Lehman Brothers, will speak on "The Business Outlook."

A dinner will be held at 7:30 p.m. at the Blackstone Hotel in honor of George W. Davis, Davis, Skaggs & Co., San Francisco, President of the Investment Bankers Association of America.

On March 15 Frank L. Magee, Executive Vice-President of the Aluminum Co. of America will speak on "Aluminum—A Growth Industry." A forum at 2:30 p.m. will have as guest speaker Dr. Melchior Palyi whose address will be "Good as a Dollar?"

An informal dinner will close the two-day proceedings.

## H. Hentz & Co. Exhibit At Antiques Show

As part of their celebration of its 100th year, H. Hentz & Co. will have an exhibit at the National Antiques Show to be held at Madison Square Garden March 5-11.

Among the exhibits will be a certificate issued to Alexander Graham Bell for 10 shares of stock which is now the American Telephone & Telegraph Company, and the first stock ticker as well as one of Western Union's latest machines. Also on exhibit will be a certificate from one of the first Standard Oil companies signed by John D. Rockefeller.

There will be a representative from H. Hentz & Co. at the booth during the show hours to answer questions pertaining to the exhibit.

### Revel Miller Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Anne N. McKernan has joined the staff of Revel Miller & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange.

### Peirsol Adds to Staff

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif. — E. Lester Cuttin has been added to the staff of T. R. Peirsol & Co., 9645 Santa Monica Boulevard.

### With Mutual Fund Assoc.

(Special to The Financial Chronicle)

SACRAMENTO, Calif. — James O. Burpo is now with Mutual Fund Associates, Incorporated, 2101 L Street.

## Halsey, Stuart Offers Miss. Power Bonds

Halsey, Stuart & Co. Inc. on March 2 offered $4,000,000 of Mississippi Power Co. first mortgage bonds, 3⅜% series due March 1, 1986, at 102¼% and accrued interest, to yield approximately 3.265%. The underwriting group won award of the issue at competitive sale on March 1 on a bid of 101.759%.

Net proceeds from the sale of the bonds and from the concurrent sale of 40,000 shares of preferred stock, will be applied by the company toward the construction or acquisition of permanent improvements, extensions and additions to its utility plant.

The new bonds will be redeemable at regular redemption prices ranging from 105.25% to par, and at special redemption prices receding from 102.39% to par, plus accrued interest in each case.

Mississippi Power Company is engaged, within the southeastern portion of the State of Mississippi, in the generation and purchase of electric energy and its distribution and sale at retail in 137 communities, as well as in rural areas, the sale at wholesale of electric energy to six rural cooperative associations, and incident to its electric business, the sale of appliances. Territory served directly and indirectly by the company has an area of approximately 11,500 square miles and an estimated population of 500,000, based on the 1950 census.

For the year 1955, operating revenues of the company aggregated $14,699,000, while net income amounted to $2,210,000.

### U. L. Boze Opens

HOUSTON, Tex.—U. L. Boze is engaging in a securities business from offices at 1138 Pleasantville Drive.

### John R. Karr Opens

EL PASO, Tex.—John R. Karr is conducting a securities business from offices at 1311 Ingersoll.

### Joins Rudd Staff

(Special to The Financial Chronicle)

SACRAMENTO COUNTY, Calif. —George W. William Nutter is now with William B. Rudd, 2608 El Paseo Lane, Tow & Country Village.

### With Sherwood & Co.

(Special to The Financial Chronicle)

REDWOOD CITY, Calif. — Joseph R. Territo is now with Sherwood & Company, 650 El Camino Real.

### Joins French & Crawford

(Special to The Financial Chronicle)

ATLANTA, Ga. — H. Eugene Rietz is now with French & Crawford, Inc., 68 Spring Street, N. W.

*LETTER TO THE EDITOR:*

# Convertibility Illusory Without Gold, Says Shull

**New Haven monetary scholar writes "Chronicle" comparing convertibility concepts of International Monetary Fund Economist, Dr. E. M. Bernstein, with the British Macmillan Committee report. Finds non-specification of currencies in terms of fixed redeemable gold content an obstacle to "yardstick" measurability and real convertibility of international exchange.**

*Editor, Commercial and Financial Chronicle:*

Your issue of Jan. 5 carried a statement by Dr. E. M. Bernstein, Director of the Department of Research and Statistics, International Monetary Fund, to the Subcommittee on Foreign Economic Policy of the Joint Congressional Committee on the Economic Report — the "Chronicle" article by Mr. Bernstein given the heading, "Problems Relating to Currency Convertibility." With that rather detailed identification of the man, and his subject, I should like to comment on some of the points made by Dr. Bernstein.

Frederick G. Shull

His first statement in the article reads: "Currency convertibility is an essential of multilateral trade. For unless each country can use the proceeds of its exports to every country to pay for its imports from any country, it will be unable to buy and sell in the best markets."

As a prelude to my comments on the Bernstein statement, I quote the following from a report rendered in 1931 by a British committee of 14 eminent economists and financiers, known as the **Macmillan Committee.** They said:

"There is, perhaps, no more important object in the field of human technique than that the world as a whole should achieve a sound and scientific monetary system. But there can be little or no hope of progress at an early date for the monetary system of the world as a whole, except as the result of a process of evolution starting from the historic gold standard."

Mr. Bernstein says that "the currency convertibility with which we are concerned is that which will provide the financial basis for a general system of multilateral trade." — which, quite evidently, is what the "Macmillan Committee" also had in mind. And, for the sake of simplification, let's, for the moment, confine our discussion to the two leading currencies of the world, namely, the **American dollar** and the **British pound sterling:** From 1821 until 1914, the "pound sterling" carried a **value,** rigidly adhered to, of 113 grains of fine gold; and, likewise, from 1837 until 1933, the "dollar" was maintained at 23.22 grains of fine gold. This resulted in that well-known inter-relationship of $4.86 per pound sterling. With that mutually respected relationship, there was no difficulty, whatever, in settling trade balances between England and the United States—both **values of currency** were as definite as the 36-inch yardstick.

But, in modern times, nations have slipped away from the good old principle of **sound money**—so scrupulously observed by our forebears. England, under the stress of World War I, suspended gold payments in 1914—just as the United States did under the stress of the Civil War in 1861. We, however, resumed gold payments in 1879; but since World War I, England seems to have preferred to rate her "pound" in terms of American "dollars," rather than in definite terms of the world's standard-of-value, Gold; and, in my opinion, that is the chief obstacle to "currency convertibility" today.

Again, in the article, Mr. Bernstein says: "There is a tendency to think of convertibility in absolute terms. This is a common fallacy: a currency is said to be either convertible or inconvertible." In my view, it is a "fallacy" to say that **honest** currencies shouldn't be inter-convertible on "absolute terms"; for nations aren't dealing in currencies, they are dealing in goods and services; and if they don't have an **absolute** yardstick for measuring those transactions, they lack an essential tool for handling foreign trade. That, I take it, is what the "Macmillan Committee' had in mind in pointing out the need for "the world as a whole to achieve a sound and scientific monetary system."

To illustrate just what I have in mind, the following facts will serve: Since 1933 the American dollar has, theoretically, carried a **value** of $35 a fine ounce of gold. (I say "theoretically," because, for more than 20 years, our Government has failed to back up that claim of "value" by reestablishing the age-old sound monetary privilege of making our curency **redeemable, on demand, in gold,** as it should be, in order to become an **honest currency.** We do, however, accord to foreign banks and countries the right and "privilege" of redeeming their American dollars at the U. S. Treasury at $35 a fine ounce of gold — meaning that to this extent the United States is on the gold standard.

As against those gold-values rigidly adhered to by England and the United States throughout the greater part of the 19th Century (113 grains of gold for the "pound sterling" and 23.22 grains for the "dollar"), our Government, in the 1930's, **dishonestly** debased the dollar to 13 and 5/7th grains, or to $35 per ounce of gold; and England, after trying various values for the pound sterling, set it at $2.80 per pound in 1949, where it has remained since.

To illustrate my point as to what trading countries ought to do with their respective currencies, in order to achieve **honest** "convertibility," let's use the British and the United States currencies for that purpose: Based on our dollar at 13 and 5/7th grains of gold, the pound sterling, if it is to be maintained at $2.80, actually has a gold-value of 38.4 grains of fine gold. If, by passing one of the Gold Standard Bills that have long been pending in the Congress, the United States were to firmly fix the **value** of the Dollar at $35 an ounce, and guarantee to maintain that "value," at all costs; and if Britain would firmly fix the **value** of the pound sterling at 38.4 grains of fine gold — or at any other gold "value" she may choose to select—and guarantee to maintain that "value," at all costs, an excellent start would have been made toward "achieving a sound and scientific monetary system," as strongly recommended by the **Macmillan Committee.** We should then have gone a long way toward "currency convertibility," and in very "definite terms." And such a plan certainly ought to meet with the approval of the **International Monetary Fund.**

If further arguments are necessary to support the principles of **honest money** that I have tried to clarify herein, I refer all doubters to the world's greatest economist, Adam Smith: In his "Wealth of Nations" (page 252 of the **Harvard Classics** edition), Adam Smith tells how the Bank of England, to preserve the pound sterling on a sound basis, did not hesitate to pay a premium for gold, when necessary, in order to keep the bank's paper-money at par with gold—at times paying as high as four pounds sterling per troy ounce for gold, and then coining that gold into English coins carrying a face-value of only three pounds, 17 shillings, 10½ pence per ounce thus taking a loss of from 2 to 3% on the gold itself. That was certainly "convertibility in absolute terms.' Evidently, in those days, it was not regarded a "common fallacy" to maintain that form of **convertibility.**

If trading nations would merely be as forthright, by maintaining their respective currencies in terms of a definite weight of gold per unit of currency, the "Problems of Convertibility," referred to in the latter part of the Bernstein article, would seem to be at an end. In other words, "the world would have achieved a sound and scientific monetary system . . . as a result of a process of evolution starting from the historic gold standard"—in line with the sound recommendation of the **Macmillan Committee,** so admirably presented in its Report issued in June, 1931.

Very truly yours,
FREDERICK G. SHULL

2009 Chapel Street
New Haven 15, Conn.
Feb. 22, 1956.

## Ervin Stein Adds

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif. — Frank M. Sorley has been added to the staff of Ervin E. Stein, 1414 Broadway.

## Orin Phelps Opens

MIAMI, Fla.—Orin M. Phelps is conducting a securities business from offices in the Huntington Building. Mr. Phelps was formerly local manager for Gordon Graves & Co.

## L. Lazaroff Opens

ROOSEVELT, N. Y. — Leonard Lazaroff has formed The RandL Investment Company with offices at 750 Hempstead Turnpike and the Rand Company with offices at 25 Norton Drive to engage in the securities business.

## Daniel Rice Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Wyonzie A. Hartzell has been added to the staff of Daniel F. Rice and Company, 317 Seventy-first Street.

## Form Funds Inv. Co.

DALLAS, Tex.—Funds Investment Co. has been formed with offices at 4332 Bryn Mawr Drive to conduct a securities business. John O. Gieseke is proprietor.

## White, Weld Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Jack R. Willeford is now affiliated with White, Weld & Co., 231 South La Salle Street.

## Joins S. A. Sandeen

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, Ill. — Russell T. Lenz has become connected with S. A. Sandeen & Co., Talcott Building.

*LETTER TO THE EDITOR:*

# Reader Takes Exception To Babson's Gold Views

**In a letter to the "Chronicle," reader Richard Spitz contends that gold's usefulness in international trade refute's Babson's statement that the gold standard has been replaced by a political standard. Mr. Spitz finds it would be impossible without gold to relate the price of Brazilian coffee with American cheese. Concludes by pointing out that Mr. Babson's political standard can only lead to Socialism.**

*Editor, Commercial and Financial Chronicle:*

Mr. Roger W. Babson writes so prolifically that it is sometimes difficult to know the difference between the froth and the beer, in reading him.

However, his "Eisenhower and the Stock Market", dateline February 2nd, 1956, as published in the COMMERCIAL AND FINANCIAL CHRONICLE is the most astounding parcel of double slanting that I have seen in some little time. Mr. Babson discusses what most other economists avoid like the plague, namely what are the monetary standards enforced by the Republican Party since they came into office?

Mr. Babson states that the gold standard has been discarded by both the Republican and Democratic Parties. It would, therefore, follow that the Republican Party since obtaining office, no longer advocates the return to sound monetary practices in terms of gold content evaluation, as it did during the time the Democrats were "calling the shots". Certainly there is no use for political parties except for office holding seekers when both are advocates of the devil, unsound monetary standards, that will finally turn constitutional government to dictatorship and business economy into socialism, for not even Mr. Babson can keep these two despoilers of liberty and free enterprise separate and apart. My reference for such statement is what Hitler perpetrated in Germany and Mussolini in Italy and a few other personages that started with the promise of salvation and ended up in death as dictators, and intellectually uncouth men. Monetary management in Britain has brought socialism.

How does the Republican Party intend to get beyond gold evaluation for international trade and the basis for evaluating the money of nationals in international trade. Thank God for gold evaluation of national currencies in international trade! It may keep the United States from socialism, for socialism only recognizes poor monetary standards, and inflation finally finishes socialism!

Mr. Babson speaks out that since 1932 the United States "has been on a POLITICAL STANDARD and the Gold Standard has been discarded".

Not so fast, Mr. Babson! The gold standard has not been discarded in international trade, so politically, the Republican and Democratic Parties are still on the gold standard, but trying to get off! I have examined the views of the Randall Committee and the views of Dr. Milton Eisenhower and the views of Secretary of Defense Wilson who have tried to reduce gold to just another commodity, internally and internationally, for they full well know that either gold will continue to evaluate, or commodities will *try* to evaluate gold, as priced by governmental edict, for there is hardly any coordination between the coffee of Brazil and the price of cheese in these United States. It has been especially so since governmental edict tried to fix the price of Brazilian coffee and the price of cheese has been attempted to be regulated by parity prices in these United States. There is a difference between political coordination, and free supply and demand free enterprise coordination of prices geared to gold evaluation. The political monetary standard is about as efficient as the politician that runs with the hares and hunts with the hounds.

A Political standard dollar within the domestic walls of these United States? Well, the evaluation is still subjected to the international gold standard. German marks and Italian lire were bad domestically and worse in international trade. Certainly Mr. Babson cannot give his blessing to political monetary standards that can only inflate, never coordinate price structures, and finally destroy every vestige of price coordination. He has observed the course of sterling, with an internal evaluation and an external value. These are political monetary standards from which the Republican Party was to save us, and now we find the Republican Party the adherents to such faulty monetary double-talk.

A political standard in monetary parlance is what these United States is going through. A double value on governmental bonds, a double value on life insurance proceeds, a double value on farm products, one by governmental edict and the other as expressed in the marketplace, a double value on inflation, to cure the excesses of inflation in one breadth and cure the implications of deflation every time deflation shows it's persistent opposition. A political standard that must ultimately destroy the gold standard that self-disciplines the producer, the consumer, to their respective duties to the free market place and political liberty.

The political standard advocates are fooling no one more than themselves. The citizen of average intelligence knows and feels what is happening. Political monetary standards have liquidated free enterprise, as history of other countries kidding themselves has proven as a matter of fact, and the business man who stands for poor monetary theories will end up with ownership as a word to be used in the past tense, and the word socialism substituted in the dirty meaning of the word. The men who have been shouting currently for tax cuts instead of fiscal amortization of the national debt will live to regret the errors of their way that free enterprise can be given lip service and traded in false standards of money, and still remain free. I disagree with you, Mr. Babson.

RICHARD SPITZ

Fortune's Rocks
Biddeford, Maine
Feb. 20, 1956

## Two With A. C. Allyn

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—W. Raymond Doxey and Thomas C. Murray are now associated with A. C. Allyn and Company, Incorporated, 30 Federal Street.

## Eaton & Howard Add

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Donald E. Furber has been added to the staff of Eaton & Howard, Incorporated, 24 Federal Street.

## N. A. P. A. Business Survey Committee Report

**Composite purchasing agents opinion reveal: (1) most see no immediate prospect of relief from current high prices; (2) inventories of purchased materials climbed slightly; (3) unchanged employment with skilled and technical shortges; and (4) middle of the road trend in purchasing policy.**

The February survey confirms the slight leveling off in industrial business conditions that was reported in January, according to the National Association of Purchasing Agents Business Survey Committee, whose Acting Chairman is Marshall Pease, Assistant Manager of Purchases, the Detroit Edison Company, Michigan.

While the February figures on production (better 32%; same 56%; worse 12%) remained about the same as the January percentages (33%; 54%; 13%, respectively), the new order position for February is reported to have declined slightly. Only 30% see improvement: 52% report the position to be the same, and 18% show a decrease, in comparison with last month's 34%, 38% and 18%, respectively.

Commodity prices remain high, with a minor modification of the rate of upward trend. Inventories of purchased materials climbed slightly. Employment continues good, with many again expressing concern over the shortage of skilled and technical personnel. Buying policy reflects a middle ground pattern, with production materials and MRO supplies strongest in the 30- to 90-day range.

On a special question asked this month, the predominant opinion is that the supply-to-demand ratio for materials will improve. Of those who reported, 62% feel it will definitely ease, while 28% expect no change in the next six months. Only 10% anticipate any worsening of the situation.

### Commodity Prices

The reports this month show a slight reversal of last month's trend in price advances. This month, the number mentioning price increases dropped 5%, to 58%, from 63% in January. Similarly, price decreases were reported by 3% in February, as against none in January, while 39% found prices remained the same, compared with 37% who so reported last month.

Although the reporting percentages indicate a slight weakening in the general price structure, most Committee members comment that they see no immediate prospect of relief from current high prices.

### Inventories

In February, 30% of the purchasing agents surveyed report inventories higher than a month ago, compared with 23% in January. They indicate the movement reflects seasonal patterns, automotive cutbacks and lowered consumption of stocks. 55% reported inventories to be the same, compared with 60% in January; and 15% reported them to be lower, against 17% a month ago.

### Employment

There is still no indication of a reduction in employment rolls. While 9% reported in February (against 8% in January) that employment is lower than a month earlier, the slight rise is generally considered to reflect seasonal or local conditions. Again this month, 71% report employment to be the same, and 20% (against 21% in January) say employment is up over a month ago. Skilled and professional help, especially engineers, remain on the scarcity lists. Many also continue to mention shortage of competent stenographic and clerical applicants.

### Buying Policy

The Committee's February reports indicate a middle of the road trend in purchasing policy. For production materials, there were 36% reporting in the 90 days plus level and 5% on a hand-to-mouth basis; last month, the figures were 44% and 3%, respectively. However, reports show 21% in the 30-day bracket and 38% planning 60 days, while in January those percentages were 24% and 29%, respectively. On MRO supplies, 13% say hand-to-mouth; 40% plan 30 days; 30% report 60 days, with 17% at 90 days plus. For capital goods, 74% report coverage of 90 days or better.

### Specific Commodity Changes

Steel continues to dominate the price and supply situation.

**On the price up side are.** Brass, copper, steel, castings, steel plates, steel bars, steel pipe and fittings, zinc, selenium, linseed oil, paper, fuel oil, coal, some insulating materials, cement.

**On the down side are:** Steel scrap, mercury, cocoa, rubber.

**In short supply:** Aluminum, copper, nickel, steel (structural, castings, plate, sheets, stainless, wide flange beams, pipe), titanium dioxide, selenium, paper, kraft paper, fuel oil, glass, cement, bearings.

## F. W. Fairman, Jr., Director

Fred W. Fairman, Jr.

Fred W. Fairman, Jr., has been elected to Tekoil Corporation's board of directors. He is chairman of the board of the Chicago investment banking firm of Fairman, Harris & Company, Inc.

## Bank Credit Associates Announce Dinner Meeting

The Bank Credit Associates of New York will hold their regular dinner meeting March 15 at the Railroad Machinery Club. Tariff, $4.75.

Carl H. Madden, Chief of the Public Information Division of the Federal Reserve Bank of New York, will address the meeting on "The Relationship of the Federal Reserve System to the Credit Market."

Reservations should be made with Robert J. Kurau, Grace National Bank of New York.

## Correction

In the "Financial Chronicle" of March 1, in reporting the formation of Burke & Company, the names of the partners were given as J. Jay Schwadron and William Burke — this should have been Lillian Burke.

## Drachman Co. Opens

Drachman & Co. is engaging in a securities business from offices at 570 Seventh Avenue, New York City. Partners are Nathan Drachman, Harvey Drachman and Frank Stave.

## Forms R. King Co.

R. King is engaging in a securities business from offices at 2190 Boston Road, New York City, under the firm name of R. King Co.

## *Bank and Insurance Stocks*

**By ARTHUR B. WALLACE**

### This Week—Insurance Stocks

Since the end of the war the increase in the volume of business done by the fire-casualty insurance companies has been greater than for any like period. To be sure, a large segment of this was due to the inflating of values up to two or three years ago; but whether the cause is inflation or the normal growth that occurs in a stabilized economy, the increased volume must be financed if the company is to operate on a sound basis. There are two methods of financing increasing volume of premiums, either by asking the shareholders for additional capital through the issuance of rights to subscribe to new shares, or to retain sufficient amounts of earnings to build up policyholders' surplus sufficiently to back up the increasing volume of writings.

A good test of the adequacy of capital funds (capital and surplus, or, policyholders' surplus, to give capital funds the designation that the industry uses) is the relationship of unearned premium reserve to capital funds. It will be recalled that unearned premium reserve is a liability of an insurance company, arising from the fact that when a policy is issued the premium goes into the reserve because it will not be fully earned until the end of the policy term, and in the meantime the insured may at his election cancel the unexpired term of the policy and receive a return of the portion of the premium applicable to the time the policy has still to run.

Relatively few of the leading fire and casualty insurance companies have, in the time since the war, issued new capital for subscription, although the sharp increase in volume in the 1945-1947 period did bring a few companies into the market. So it has been that most of the funds to finance growing volume of writings have come from retained earning. As essentially all of these units retain all profits derived from underwriting operations, that portion of their earnings automatically is "plowed back" to support expanding volume. But in periods of reasonably normal growth, insurance companies, while keeping dividend pay-out within the amount of income from investments, less taxes, do disburse the bulk of that source of earnings.

Thus, choosing a company at random, Continental Insurance in 1940, when the growth of business was moderate, disbursed 90% of investment income, while in 1948, when inflating values plagued the companies, the pay-out was 68%. Hartford's respective ratios in the same years were 87% and 57%. This state of affairs is what has in the main been responsible for the meager dividends of the better grade insurance stocks, with the consequent scanty yields.

The accompanying schedules bear out this showing. Some 76% of the units listed had a greater ratio of unearned premium reserve liability to capital funds in 1954 (the last year for which complete data are available) than in 1940 (the year preceding that in which we entered the war). On the other hand, the pay-out ratio of dividends in relation to income from investments was in almost every case smaller in 1954 than in 1940. This brings out the fact that the managements have been relying upon investment income to "sweeten" capital funds to enable them to take care of the growing volume of business written. And it also brings out the reason for the lower-than-normal yields, as investors in insurance stocks utilize them more for capital appreciation than for current income. A flattening-out in the volume curve for a few years could bring more realistic dividends for those who do look for income. This, of course, will depend on the tide of business activity in our general economy:

| | Ratio of Unearned Premium Reserve to Capital Funds | | Ratio of Dividend Pay-Out to Investment Income | |
|---|---|---|---|---|
| | Dec. 31,'40 | Dec. 31,'54 | 1940 | 1954 |
| Aetna Casualty | 0.74:1 | 0.85:1 | 93% | 30% |
| Aetna Insurance | 0.61:1 | 1.14:1 | 92 | 71 |
| American Insurance | 0.88:1 | 0.90:1 | 94 | 55 |
| American Surety | 0.46:1 | 0.97:1 | 100 | 49 |
| Boston Insurance | 0.26:1 | 0.63:1 | 70 | 69 |
| Continental Casualty | 0.88:1 | 0.63:1 | 69 | 50 |
| Continental Insurance | 0.30:1 | 0.26:1 | 90 | 81 |
| Federal Insurance | 0.18:1 | 0.42:1 | 92 | 60 |
| Fidelity & Deposit | 0.44:1 | 0.47:1 | 118c | 82 |
| Fidelity Phenix | 0.29:1 | 0.20:1 | 83 | 82 |
| Fire Association | 0.84:1 | 0.72:1 | 68 | 72 |
| Fireman's Fund | 0.48:1 | 0.57:1 | 76 | 96 |
| Glens Falls | 0.83:1 | 0.77:1 | 207 | 97b |
| Great American | 0.41:1 | 0.45:1 | 101 | 68a |
| Hartford Fire | 0.46:1 | 0.56:1 | 87 | 64 |
| Home Insurance | 0.95:1 | 0.79:1 | 98 | 71 |
| Insur. Co. of No. Amer. | 0.28:1 | 0.37:1 | 77 | 70 |
| National Fire | 0.47:1 | 1.03:1 | 73 | 61 |
| National Union | 1.12:1 | 0.99:1 | 52 | 78 |
| North River | 0.41:1 | 0.53:1 | 94 | 60 |
| Phoenix Insurance | 0.18:1 | 0.40:1 | 93 | 69 |
| St. Paul Fire & Marine | 0.29:1 | 0.46:1 | 72 | 71 |
| Springfield | 0.64:1 | 0.85:1 | 91 | 58 |
| U. S. Fidel. & Guaranty | 0.83:1 | 1.08:1 | 63 | 52 |
| U. S. Fire Insurance | 0.48:1 | 0.63:1 | 80 | 58 |

a Dividend of Great American in 1940 included payment by an affiliate, a holding company since dissolved.

b Glens Falls' 1940 dividend included a payment by Glens Falls Investing Co., an affiliate holding stocks of the fleet members in trust for Glens Falls shareholders.

c Fidelity & Deposit, for nine years disbursed more than its income from investments. During this period its statutory underwriting profit was several times as great as income from investments.

## Schlemmer Elected to NASD Bd. of Governors

Harold P. Schlemmer, of Schwabacher & Co., San Francisco, has been elected to the Board of Governors of the National Association of Securities Dealers, Inc. to fill the unexpired term of the late Arnold Grunigen, Jr.

H. P. Schlemmer

Mr. Schlemmer joined Schwabacher & Co., as a partner in 1945, and previously thereto, he was for many years a partner of Cavalier and Company, and former Vice-Chairman of the National Association of Security Dealers.

## Open Branch Office

LOS ANGELES, Calif.—Stone & Youngberg have opened a branch office at 704 South Spring Street under the management of Charles H. Watt.

## Straus, Blosser Office

ROCK ISLAND, Ill. — Straus, Blosser & McDowell have opened a branch office at 1701 Second Avenue under the direction of Nat E. Geismar.

## Weston Opens Branch

SAN DIEGO, Calif.—Daniel D. Weston & Company has opened a branch office at 2136 El Cajon under the direction of Coit Decker.

## With John G. Kinnard

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Ernest A. Collins is now with John G. Kinnard & Co., 133 South Seventh Street.

## Minneapolis Assoc. Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Lee R. Anderson has become affiliated with Minneapolis Associates, Inc., Rand Tower.

## With R. J. Steichen Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Marjorie H. Murphy has joined the staff of R. J. Steichen & Co., Roanoke Building. Miss Murphy was formerly with Beardslee-Talbot Co.

*Continued from first page*

# As We See It

up "rigid supports" at 90% of parity as the immediate need of the farmers.

Now, as every one knows, this "rigid support" plea and the 90% of parity notion have become nothing more or less than slogans in their own right. Of course, a return to them now would be nothing more or less than a mass application of the hairs of the dog that did the biting. Mr. Stevenson is an intelligent man, and in ordinary things a man of a good measure of common sense. He must know that he is doing nothing other than appealing to the farmers by means of a formula which has become a sort of political catch word which the Democrats believe would win votes. In politics as in legal matters plaintiffs should come into court with clean hands. "Nostrums" are quite as common on one side of the political fence as on the other —and Mr. Stevenson himself is definitely no exception to the rule.

**How Different It Would Be**

How different things would be if the Democratic candidate (or candidates), as the opposition, were really in a position to take issue with the policies and programs of the Administration, and to present to the American people programs which embodied American traditions and American common sense. Certainly the Eisenhower Administration would be quickly and obviously on the defensive — assuming, as we do that the American people could be persuaded to turn their back upon purveyors of "slogans" and "nostrums" no matter by whom peddled. The trouble is, of course, that most of the folderol now part and parcel of so much of the policies and programs of the Administration had its origin in the New Deal and the Fair Deal, and the Democratic party has such a long and well known record of defending it and boasting about it that it does not lie in the mouth of any of the candidates of that party to say very much in criticism of it.

Run over the pertinent facts! The Administration made some sort of tentative and hesitant beginning in the long, arduous task of getting agricultural policies and programs back to a semblance of reason and hard sense. Even that small beginning is now being surrendered in the face of a prospective election with the Stevensons and the others trying to make martyrs out of the farmers. It is a shameful situation, but in light of all the circumstances it is hardly to be expected that the real agrarian issues will be permitted to come into the campaign in this year of our Lord, 1956. Despite it all, the state of affairs is slowly, and very painfully, correcting itself, but this political campaign now bids fair to reduce the speed of unavoidable readjustments rather than to promote or help them.

The New Deal introduced the policy of permanently "soaking the rich" to pay the bills of the poor. The Fair Deal joyfully continued that line of policy. And the Eisenhower Administration? It did an extensive job of rewriting tax legislation, but who is able to say that one jot or one tittle of the "soaking the rich" philosophy has been removed from the statute books? Obviously, the Democratic party can not complain. As a matter of fact the pressure from that quarter is to go further in "favoring" the small taxpayer at the inevitable expense of the large or successful taxpayer. This is a state of affairs which only slowly works its mischief fully. The men who have already reached the level of financial success can obviously more effectively live with a system of this sort than can the man who is on the way up, and who to be fully successful needs to employ his earnings in his business in much larger degree than is possible under a system of this sort. "Giant industrialists" are not likely to appear in the future in the way they did in the past to promote the economic welfare of this country of ours.

**And Those Regulatory Laws**

Then there is an almost infinitude of regulatory laws which either owe their origin to the New Deal or the Fair Deal or else are indebted to those regimes for the extreme nature of a number of their provisions at the present time. The securities acts, the utilities control legislation, the minimum wage and fair labor standard legislation, and several others come at once to mind. Which of these has been abolished or even in any material way modified or moderated since Mr. Eisenhower took office? To ask the question is to answer it. Of course, none of them have been, and nothing of the sort is even proposed. How encouraging it would be if somehow influential political groups would and could challenge both the New and Fair Deals and the present Administration in the name of good, solid Americanism as developed and known in this country from the time of its inception to the inauguration of Franklin Roosevelt in 1933?

Then, of course, there is the astounding and alarming extent to which the Federal Government has entered the field of so-called "social welfare." It had gone extravagantly enough into the business of pensions and the like long before the Eisenhower Administration was ever thought of, but it remained for this Administration to add so incredibly to the future liabilities of the Federal Government in respect of old age pension and the like that they now rival the acknowledged, formal debt otherwise resting upon the national government. Then there are literally billions of contingent liabilities in the fields of housing, veterans, and in other directions. No one can say with confidence precisely how much of a burden all this is likely to be on the taxpayer in years to come. But who is raising a voice about all this in the coming campaign— or about the undertaking by the Federal Government to "guarantee" permanent prosperity in this country?

*Continued from first page*

# New Dimensions in Our Economy

the fullest contribution to that wise management. The prime requisite of management is vision. The hallmark of wisdom is the ability to foresee with at least some clarity and confidence the needs of tomorrow and beyond tomorrow. Yet it is all too easy to become preoccupied with the day-to-day barometers. Far too often our noses seem to be buried in the daily market reports, the weekly carloadings, the monthly inventories, and the charts of current fiscal performance.

Following the most prosperous year in the nation's economy, economic discussions are heavily peppered with such questions as: "Are we pumping too much fuel into our economic machine? Are we accelerating too fast? Is it time to put on the brakes?"

Perhaps it is understandable that the economy is so often discussed in metaphors borrowed from the automotive industry. I am sure you will forgive me if I introduce an element of the electrical industry without switching the metaphor. The question we should be asking ourselves is this: Are we trying to drive with our headlights switched on the low beam? Are we too absorbed with every small bump that may lie ahead of us? Is the low-beam, short-range outlook equal to the needs of our high-powered economy on the broad highway of opportunity?

If we are to have wise management of our national household, if we are to achieve in fact a glorious economic future, our leaders in business must free themselves of this year's plans and programs and look at least 10 years ahead. The mounting problems and opportunities are making even a decade a short space of time for planning. More and more we should be planning 15 or 20 years ahead—an entire business generation.

**Impelling Forces**

Three impelling forces are applying tremendous leverage to our future growth: (1) our expanding population; (2) our rising standards and concepts of living; and (3) our rapidly multiplying technology with its abundant potential to produce more for everyone.

The statistics of these forces are familiar to every businessman. But in our long-term projections we continue to underestimate. And in assessing the immediate outlook, we too often seem to be astonished at the realization of even our more conservative projections. Measured against our predictable needs and opportunities, the performance of our economy in 1955 was not very spectacular, and in many sectors not nearly good enough. The record Gross National Product of $387 billion represented an increase of 6% in real output in 1955 over 1954, but the increase of 1955 over 1953 was only 4%, allowing for price changes.

**Depicted Growth Rate**

The average improvement of 2% in the last two years has fallen behind the rate of progress of the last decade and, to meet our goals for the next 10 years, must be stepped up to at least 3.6% annually. Instead of talking about a possible slowing down of our economy in the last six months of this year, we should be making a vigorous effort to push forward in order to catch up with our long-term opportunities.

It is easy to get the illusion that we are driving too fast if we spend too much of our time watching our progress out the side window. The telephone poles may seem to be whizzing by like a picket fence. To get a better perspective on our speed, we need to keep our eyes on the road ahead, with perhaps an occasional check on the rearview mirror to see how far we have come.

It is difficult to reconcile the frequently expressed fears of a slowdown in 1956 with the realistic long-term plans of many business leaders which appear almost daily in the adjacent news columns. Consider a few examples: the steel industry will add 5,000,000 tons new capacity in each of the next three years, an increase of two-thirds in the average annual expansion of the past 10 years. By the end of this year the aluminum industry will have doubled its 1951 capacity and plans to add a further 50% by 1960. In the very year of a predicted decline in production, two automotive companies are going ahead with capital expenditures of one and a half billion dollars. The petroleum industry has year by year increased its expenditures for expansion from more than $3 billion in 1951 to more than $5 billion in 1955 and again in 1956. The construction industry forecasts a new peak of $60 billion in 1956 for new construction, maintenance and repair. Electric utility companies will spend $3,-100,000,000 on new construction in 1956, an increase of $200,000,000 over 1955.

Contrary to any indication of a slowdown, the electrical industry as a whole is moving right ahead. In the electrical manufacturing industry, we must build the equipment needed to double electric service in less than 10 years and to quadruple in the next 16 years. General Electric has budgeted for 1956 an increase in sales billed of 15% over 1955.

The greatest hazard in the achievement of our long-term goals is fear. Fear is an emotional disease, and we are all familiar with its contagious effect. A sure way to lower our resistance to the contagion is to base all of our decisions on impulsive reactions to everything we see or imagine immediately ahead of us. The rabbit is notorious for his impulsive decision making. The usual decision is to run for cover.

**Long-Run Factors**

It is important therefore to recognize that even with the best planning we will make mistakes. Our future growth will not be a straight line. The best innoculation against the contagion of fear is to cultivate the habit of standing by our long-range convictions. We must keep constantly before us the long-term implications of our growing population, our rising standard of living, and rapidly advancing technology.

Our population is growing at a rate which continues to make the most optimistic projections turn out to be outrageously conservative. This year the total will reach 169,000,000, a figure which the Bureau of Census estimated as recently as 1948 would not be reached until 1965—even assuming what was then called the "maximum fertility ratio." You can view this in two ways: we are either nine years ahead of our projections or we may be nine years behind in our planning for the needs of our population.

Looking ahead to 1966 it may well be that current Census projections of slightly more than 190,000,000 need to be revised upwards to 200,000,000. We cannot wait until the 1960's if we are to have in place in time the manufacturing and commercial facilities, the homes, the transportation, highways, schools and hospitals required to fill the needs of a nation of 200,000,000.

Our standard of living is growing even faster than our population growth, of course. Just how much faster is another factor which short-sighted planning could miss by an uncomfortable margin. Last year the President's Council of Economic Advisors estimated the conservative goal of a Gross National Product of $500 billion by 1965. This was increased to a potential $535 billion by the Joint Congressional Committee on the Economic Report. Our own estimate would now be $550 billion in 1965 at 1955 prices, or approximately $570 billion by 1966, 10 years from now.

As a result of underestimating the growth in our standards of living, have we in business not been guilty of too long targeting our markets at the upper income groups? Between 1950 and 1954 the number of families with incomes of over $4,000 a year after taxes increased from 12,200,000 to 21,400,000. As productivity increases, bringing higher pay for higher skills, this trend is accelerating. Average annual earnings of General Electric employees including benefits paid by the company have increased from slightly more than $2,000 in 1939 to about $5,600 in 1955. As we automate to satisfy customer demand—and as we thus raise the jobs requiring higher education and skills in ratio to unskilled jobs—it would seem entirely possible that the average earnings of General Electric employees 10 years from now may be in the range of $8,000 to $9,000 annually.

In the early 1960's production of 10,000,00 cars a year can well be the way of life in the automotive industry, particularly if we realistically plan to meet our highway needs. And in another decade our housing needs may call for 2,000,000 new homes or dwelling units a year. The typical —not the luxury — home of the 1960's will be equipped with appliances employing at least 25 electric motors.

These are just a few examples of the growth we must plan for in the things we already know about in order to fill the needs of our growing population and our desires for a higher standard of living.

An even greater force compelling us to plan and plan far ahead is our rapidly expanding technology.

Up until now we have not had reliable measurements of the full impact of invention and innovation on our standard of living. Recently the National Science Foundation made the first tentative efforts to evaluate the effect of research and development on long-term productivity. Their studies indicate a net contribution to the Gross National Product in 1953 of at least 12% and perhaps as much as 24% which resulted from the research conducted over the previous 25 years.

The nation's total bill for research and development for all the years through 1955 has been estimated at $44 billion. Half of that came in the 1950's. With the inevitable time lag between investment and return, it can scarcely have begun to pay off. The impact on the future will be tremendously greater. Many industries are just awakening to the need for investment in research and development, with the result that the national expenditure is now well over $5 billion a year.

### Built-In Stabilizers

Private industry's growing investment in research and development may well be our best insurance for stability in our future growth. In discussing the problem of avoiding deep and prolonged depressions in the business cycle, we hear a good deal these days about "built-in stabilizers" in our economy. The usual reference is to such government-sponsored programs as unemployment insurance and old age security. A potentially greater "built-in stabilizer" is the pressure of new ideas, new products, and new services to keep us moving ahead. Even during the depression of the 1930's, when too many of us were accepting the negative theory of a mature economy, tremendous pressures for a new era of growth were building up.

Great new industries, such as the $9 billion-a-year electronics industry and the gas turbine-jet engine industry, have come into being in less than a business generation. In General Electric about one employee in three works on new products we did not make in 1939.

### New Major Advances

These opportunities grew out of the relatively meager investment in research and development which the nation was making prior to World War II. Invention and innovation are adding a new dimension to our standard of living. Today we are pioneering for a major breakthrough in three fronts:

(1) The availability of energy and materials. Nuclear energy will definitely be needed in the United States in the 1970's and 1980's to supplement power from our conventional fuels—coal, gas and oil. But the scientists and technicians will have to work hard over many years to make nuclear power competitive as a fuel in cost. They are working against a constantly moving target, because our efficiencies in the use of present energy sources are improving every year.

Recently we had the privilege of designing for the coal industry the motors and controls for an earth-moving shovel which could comfortably pick up at one time all the gentlemen in this room, even assuming that we all weighed 200 pounds. This largest piece of mobile machinery ever built in the United States scoops earth and rock at the rate of more than 100 tons per minute and greatly extends the availability of coal from open-pit mines. It is a spectacular example in the coal industry's drive to cut production costs.

Beyond nuclear energy lies the development of solar energy and such exciting prospects as the economical conversion of sea water to fresh water and the irrigation of vast desert areas of the earth.

These are not blue-sky dreams, but scientific facts demanding our best brains for long-range planning. We are already seeing newspaper advertisement headlining: "Wanted: Engineers for Earth Satellite!"

(2) On the second frontier of technology we are multiplying man's mind power. The coal industry's huge earth-moving shovel might not have been built for years if our engineers had not been able to predict its design requirements by the use of analog computers.

The effect of invention and innovation on our standard of living is gathering momentum as we learn how to free up our scientific and technical people from routine calculations through the application of the new computer technology. The engineering mathematics for jet engine development takes as many as eight million calculating steps, a problem that would take one man seven years to answer with a desk calculator. A giant computer at the General Electric Evendale, Ohio, jet development laboratory provides such an answer in 15 minutes.

(3) The third front of our advancing technology provides the greatest challenge to wise management in long-range planning because it brings with it a need to understand a wide range of associated problems in human relations. This is the technology of lengthening man's arm, increasing productivity. The perhaps unfortunate label "automation" has become one of the symbols of controversy of our times. Yet it should not. Automation promises benefits for everyone involved: the customers and public as a whole, who will benefit from better products and services at better values; the factory and office workers, who will benefit from the relief from the dullness and drudgery of routine jobs and become the masters, not the slaves of machines; and investors who will share in the opportunities and risks of great new growth enterprises.

It is a failure of our long-range planning and of our ability to communicate our long-range plans that both the problems and opportunities of automation are so little understood.

It is natural that people should be concerned that automatic machinery will deprive them of employment. People fear what they do not know, and too little is known of the evolutionary nature of the process. Both the economics and technology of the situation demand a gradual, step-by-step progression from simple mechanization to fully automatic operation. As industry moves its operations up this scale towards automation, there is greater demand for skilled workmen to handle larger responsibilities. An increasing proportion of our industrial manpower will be devoted to the design and making of intricate machines, controlling and repairing them, calling for an upgrading of skills and education at every level.

In industry, finance, and commerce, we must step up greatly our training and educational programs to help employees prepare for new assignments which will be intellectually far more stimulating. In General Electric we already have some 28,000 employees taking company-sponsored courses for self-improvement.

Far from causing mass unemployment, automation is the only solution of our long-range problem of employment. We will not have enough manpower to satisfy our needs for more goods and services.

### Automation Need

The previously referred to population growth and rising standard of living demand that we increase our national output 40% in the next 10 years. But, despite the total population growth, our work force will increase only 14%. The greatest growth will be in the age groups that are either too old or too young to work.

To produce 40% more goods and services with only 14% more people, either everyone must work harder and longer, or we must be willing to embrace change and invest more in productive machinery and methods. If we have the wisdom to plan ahead, the transitions we need to make do not imply violent dislocations and disruptions. In the past 10 years, we have in fact increased our national output (measured in constant dollars) by 37%, with an increase of only 13% in the work force.

The progressive automation of industry greatly increases the number of employment opportunities in associated fields. Few people realize that the generation, transmission and distribution of electric power is probably the boldest and broadest application of automation made to date. At the flick of your wall switch, electricity is instantly and automatically manufactured to your order. The highly automated production and distribution of electric power employs a total of 395,000 people, but it creates employment opportunities for six and a half times as many people in electrical manufacturing, contracting, wholesale, retail and service trades.

The manufacturing industries which have gone the farthest in automation, and the ones which supply equipment for automation are the ones in which employment is rising the fastest. This includes the communications, electrical machinery, chemical, rubber, automobile, and petroleum industries.

The dollars and cents of automation provide a further incentive to management to do the careful and long-range planning which is the greatest assurance of stability in employment opportunities. Automation compels us to tie into one package our plans for marketing, product design, manufacturing facilities, distribution and promotion, pricing, and above all, timing. We cannot afford to build these great machines and intricate manufacturing systems and have them stand idle. We cannot afford the ups and downs of seasonal selling, but must plan our products and promotion to sell all year long. Above all, we cannot afford the ups and downs which result when business decisions are based on daily shifts in the wind in place of long-range planning.

### Human Relations

Long-range planning is essential if only from the standpoint of the material and physical problems and opportunities that lie ahead of us. But, as well illustrated by the example of automation, it is planning ahead to solve the associated problems in human relations that constitutes the greatest challenge to our wise management.

As our society grows in complexity, the opportunities for misunderstanding are multiplying. Operations which concentrate more and more individuals in specialized compartments make it increasingly difficult for each individual to see how he contributes to and shares in the progress of the overall enterprise. We need to develop better ways of giving individuals a greater sense of participation.

Industry has been slowly evolving various attacks upon the problem such as awards for suggestions, more informative communications programs, systems of incentive compensation, and plans to encourage employee ownership of shares in the enterprise. Much more thought needs to be given to the problem of giving individuals a sense of belonging and of giving sincere recognition of the human dignity of individuals.

The growing decentralization and dispersal of plants has been a healthful trend in United States industry. In a small plant it is far easier for each individual to see the importance of his own contribution and gain a sense of belonging to the enterprise. It also enables the manager to be closer to his individual associates and have a more sympathetic understanding of their individual problems and aspirations.

Currently, the growing educational needs of the nation are receiving a deserved widespread discussion and study. Properly, much emphasis is being placed on the purely physical requirements. We cannot overlook the mounting shortage of classrooms and numbers of teachers. But our long-range opportunity is to look beyond the purely physical needs and visualize not only the changed world we will be living in but the vastly changed attitudes of the people who will be living in it.

Over on the other side of the iron curtain they are just beginning to talk about the prospects of a 42-hour work week. But they are also talking about this in terms of benefits to the so-called "working class."

The gentlemen of the Kremlin have prided themselves on their abilities as long-range planners. But I would like to suggest that in planning a shorter week for the working class, they are omitting one rather vital element of change in their planning. And that is the change in the people. What are they going to do when—as in this country today—more and more of the population no longer see themselves as members of a working class, distinct and apart from the elite and privileged group at the top? In our American enterprises we want no second-class citizens but recognition of the vital role played by each individual. From the starting apprentice to the chief executive, all are employees contributing to and sharing in the progress of a common effort.

Even in this country we may be fooling ourselves when we talk about the coming problem of increased leisure time. Do we know that a majority of the employees of tomorrow, at whatever the level of their assignment, will really want a shorter work week? As typical jobs in our offices and factories become increasingly challenging and rewarding, isn't there a possibility that work will be less a thing to be avoided and more and more an opportunity to be sought after? Instead of a shorter work week, more and more people want higher standards of living and are willing to work at least as many hours as they do now to achieve the things that they want, including not only the physical things but better educations for their children and savings for their future security.

Social scientists have observed that the character of the work we do is one of the principal formative factors in our lives. The inspiring opportunity of leaders in business and industry is to plan ahead for a world in which we all can share in work of a character that will add to the fullness of our lives, bringing with it a sense of inner satisfaction and accomplishment, as well as material rewards.

In its early stages, the industrial age was criticized for its dehumanizing effect, tying men to machines and making them mere cogs in a mechanical process. Today we have in our grasp, if we will understand and accept the challenge, the reverse of that process. Machines and controls can take over the drudgery of routine, as well as the backbreaking jobs. We need to conserve and train our manpower for operations requiring judgment and highly developed skills which the machines cannot supply.

Recently the American Institute of Electrical Engineers conferred its highest award — the Edison Medal—upon a Russian-born engineer, L. A. Umansky, in recognition of his contributions to the electrification of American industry. Mr. Umansky came to the United States in 1915. Upon his retirement last year, after 34 years of working with engineers in many American industries, Mr. Umansky said:

"I have found that each new generation is better equipped for work than the preceding one. The younger men, themselves, are not necessarily better—after all they are made of the same clay. School training might possibly be more advanced. But what is more important is their desire to keep on learning and to broaden their knowledge."

Today in American industry, finance and commerce, we have the opportunity as never before to plan ahead for a world in which more and more work will be a challenge and an inspiration to keep on learning and to broaden our knowledge with resulting benefits to both individuals and all mankind.

## Allen Group Offers Cooper-Jarrett Stock

Allen & Company and associates on March 6 made a secondary offering of 125,000 shares of $1 par value common stock of Cooper-Jarrett, Inc. at $8 per share. (This was subject to approval of the Interstate Commerce Commission.

The shares being sold are from holdings of the Cooper family, which will retain a 75% interest in the business as well as management and operating control.

Cooper-Jarrett is engaged in common carrier trucking between New York, various points in New Jersey and Philadelphia in the east and Chicago and Kansas City in the Midwest. The firm owns in excess of 600 pieces of equipment on which 70% of the entire tonnage is transported. Balance of the tonnage moves on leased equipment or rail piggyback.

Outstanding capitalization of the company consists of $393,877 in long-term debt and 500,000 shares of $1 par value common stock out of a total authorized issue of 1,000,000 shares.

### With Amott, Baker

Amott, Baker & Co., Incorporated, 150 Broadway, New York City, members of the New York Stock Exchange, announce that Lionel B. Orde has joined its staff as a registered representative.

### Forms Klugh & Co.

ANDERSON, S. C. — Klugh & Company, Inc., 1105 Stephens Street, has been formed to continue the investment business of Arthur M. Klugh, Jr. Officers of the firm are Mr. Klugh, President and Treasurer; Arthur M. Klugh, Vice-President; and G. G. Klugh, Secretary.

### Mexican Co. Formed

The Mexican Company, Inc. has been formed with offices at 76 Beaver Street, New York City, to engage in a securities business. Officers are Joseph C. Galdi, President and Treasurer; Rita D. Galdi, Vice-President; and Bernard S. Kanton, Secretary.

### With Reynolds & Co.

Walter W. Kirsch and Fred A. Kirsch have joined Reynolds & Co., members of the New York and American Stock Exchanges and other leading exchanges, as account executives in the firm's office at 356 Broadway, New York City, it is announced.

*Continued from page 7*

# Farmers' Welfare Vital to Distributors and Processors

price declined 19%. Marketing charges for beef increased 26%.

And what did it mean to farmers? Their share of the retail dollar spent for meat went down —from 60 cents in 1954 to 54 cents in 1955.

I do not mean to point a finger particularly at the packing industry. I would say, however, to every business involved in food processing and distributing that we are in a period when consideration must be given to the farmers' situation. When one link of the food chain is in trouble, the chain itself is weakened. Today the farm-ranch-feed lot link is in trouble.

When the food industries acquiesce to every increase for more wages and higher costs, consumer purchases at one end of the chain are discouraged—and farmers at the other end are squeezed. Marketing margins must be kept in line so they do not exceed real costs and farmers must be paid as much as possible for their products. The welfare of the farmer is vital to you. To stay in the livestock business year after year, the rancher and farmer must be able to market forage and grain through livestock at a profit.

### Long Range Problems

Many of the kinds of problems we are talking about are long-range problems — in the sense that they will be solved only by continued experimentation and research to find more efficient methods of operation. Processing and distribution are now the "bigger half" of the food chain. More efficient methods are as vital to you as they are to farmers and ranchers. And farmers have as much at stake in your business as you have in theirs.

A major point in the Administration's farm proposals is a sharp increase in research funds. These will be directed toward new crops, new uses, new markets. But also toward vitally important improvements in food marketing — improvements important to farmers, to processors, to distributors, to consumers—in short to everyone interested in food.

Your industry has just come through the largest volume year in your history. Large volume has meant efficient use of your plants and facilities. Fixed costs, which are so important to you, were widely spread and were low per unit of product. It was a good year—the kind of year you would like to continue to have—the kind of year you can have only with continued large volume.

You want a large flow of animals to market. So does the consumer. So do farmers and ranchers—up to the quantity that will bring them reasonable net returns. And important, along with volume, is the seasonality and year to year variation in marketings. A more uniform flow would mean your stand-by facilities could be less. Your costs could be reduced. More uniform flow would mean greater price stability and higher average prices to producers. Market gluts, such as recently were experienced with hogs, always mean a sharp break in prices.

More stability is possible in the livestock industries. Multiple farrowing for hogs would work to everyone's advantage. So would a more uniform and stable flow of cattle through feed lots. Problems are involved in the change on which more research is needed, on which the educational job with all branches of the livestock industry is far from done. This is one of many kinds of long-range adjustments which hold promise for a brighter future in the livestock and meat industry. More immediately, some short-range adjustments are imperatively needed.

With both hogs and cattle we have been experiencing increasing numbers of animals and increasing marketings. Both the hog marketing and cattle marketing cycles apparently reached a peak in 1955—the first time the two have crested at the same time in my memory, including years as a livestock producer and feeder. This was one of the reasons you had a good year. But on the other hand, it was one of the reasons also why farmers experienced a sharp decline in livestock prices.

But cyclical increases were not the only factor. Livestock production has recently been over-stimulated by the diverted acres problem.

### Price Supports and Surpluses

Certainly it is no secret to anyone that rapidly increasing surpluses of price supported crops have made acreage controls unavoidable. From 1953 through 1955, over 29 million acres were diverted out of wheat and cotton. Seventeen million of these acres went into oats, barley, and grain sorghums. The result was a further stimulus in livestock production at a time when supplies already were large.

This is one aspect of the surplus problem that has reached such proportions it overshadows most other problems on the farm front. The difficulties following on the heels of $8.5 billion of surplus accumulations have become every farmer's problem — everybody's problem. They are the other side of the cost-price squeeze on agriculture. Surpluses have smothered all hope of marked improvement in prices received by farmers, until the vast stocks can be worked down to manageable proportions. This is why new farm recommendations have been proposed that concentrate in large degree on working down the surpluses.

I recently asked our experts in the Department of Agriculture what effect these surplus stocks and excessive current production have on farm income. They say that last year our surpluses depressed farm income to the extent of $2 billion. And that was not just a loss in gross income. Nearly every dollar of that $2 billion would have accrued to farmers' **net** — would have increased the net income of farm families by about 20%, if only we did not have the surpluses. The higher prices that farmers would have received would have meant a parity ratio in 1955 of about 93 instead of the actual average for the year of 84.

### Distorted Farm Production

Why do we have the surpluses? Why are there government bins all over the countryside, and warehouses everywhere rented by the government? Why is grain piled in mothballed ships, and at times of the year even on the ground? The answer is simple enough—so simple that everyone should now understand it. In recent years our farm production has been distorted and thrown out of balance with what our domestic and overseas markets will take. This has been done by high, rigid, wartime incentive levels of price supports, continued too long into the postwar years. Ninety per cent of parity supports on the so-called basic crops continued without any change until the harvest last summer and fall.

This meant that products, for which the government price was the best price, naturally came to the government. But then what happened? As the accumulations built up, the acreage that could be grown had to be restricted. But acreage controls did not solve the problem—they spread it. Acres were shifted to other crops, either causing or threatening surpluses of these. More feed grain production stimulated more livestock—and thus the problem fanned out until every farmer regardless of the crop or livestock he raised has been injured or threatened by the consequences.

And what can be done with the surpluses? I cannot too strongly emphasize that products delivered to the government have not been "sold"—not in the sense of having moved into use. They only go into storage—and a storage program is **not a market.**

The price depressing influence of such accumulations is not the only problem they create. Even the most storable farm products can not be increased indefinitely in the hands of government—nor can they be held indefinitely. When the stockpiles must eventually be liquidated—and eventually they must—what then happens?

### Three Alternatives

Here are three alternatives:

Number one is to move the accumulations at some time into the domestic market. But when this happens—except in small quantities and under extreme care—the liquidation becomes direct price competition with what farmers are currently trying to market. The net result is that the domestic market is not an adequate outlet unless the well-being of farm families were to be callously ignored.

Number two is to get rid of the accumulations by selling them abroad. This Administration has worked diligently to expand overseas markets—but the quantities that can be moved are again limited if we are to avoid upsetting world prices and world trade. If we thoughtlessly dump the surplus abroad for whatever it will bring, we could expect in return restrictive laws and retaliatory measures against the trade of this country. It is even difficult to give our produce to countries we often regard as being short of food. What we regard as an act of charity, they call dumping—and are concerned that it will depress their own farm economy.

Number three—we can get rid of our surplus accumulations by deliberately destroying them. But I need not say this is actually unthinkable.

There is one other way — the only sound way yet devised to get out from under the surplus burden with which we cannot longer live. This one and only alternative is the heart of the Administration's new farm program—the Soil Bank.

### Soil Bank Proposals

The Soil Bank proposal has two parts. The first part is called the Acreage Reserve. Its purpose is to reduce, temporarily, the production of our main surplus crops, such as wheat, cotton, corn, and rice.

This plan would let a farmer voluntarily put acreage in reserve. Let's say a farmer has an allotment of 60 acres. If he cuts that to 40 acres he would get certificates for the 20 acres left unfarmed. These certificates would be redeemable in cash or in commodities.

The farmer would agree not to graze those 20 acres, or harvest any crop from them.

And the incentive will be high enough to assure the success of the program. We want to encourage farmers to put acreage in the Soil Bank.

For with it, we kill two birds with one stone. The farmer cuts his production, and puts the land in a soil bank where fertility is preserved. He gets cash or commodities from the government. We'd not only be cutting production this year—but also working off some of the surplus now in hand.

We'd be using surplus to use up surplus.

Part two of the Soil Bank is a Conservation Reserve in which farmers will be paid to take acreage out of crops and put into grass and trees. The President has expressed hope that about 25 million acres will be put into this Conservation Reserve.

This Conservation Reserve has the following advantages:

1. It will result in improved soil and water conservation.
2. It will increase our supply of timber resources on farms.
3. It will protect crop producers who have been hurt by diverted acres thrust upon them.
4. It will alleviate stimulus to over-rapid increases in livestock production, resulting from feed grain production on diverted acres.
5. It will help reduce production which contributes to our surpluses.

This Soil Bank is not just a device to empty government warehouses so they may be filled again. In future years we must avoid, as we would a plague, farm programs that would encourage a build up of unmanageable surpluses.

The Soil Bank in short will increase farm income; reduce surplus stocks; cut excess production; reduce storage costs; ease apprehension among our friends abroad; conserve soil, water, and timber resources; and strike a better balance of production and markets.

In our recommendations, we have given full consideration to the interests of livestock producers. Cattle and calves are the largest single source of cash farm income—and livestock and its products, taken together, bring in about 56% of all U. S. farm income from marketings.

Farmers will contract not to harvest any crop from acres they put into the Soil Bank. They will further agree not to graze acres in the Conservation Reserve for a specified period of years. This grazing restriction is specifically for the protection of livestock producers, particularly cattlemen and dairymen, at this time when their production is large and their prices are depressed.

### Defects in Pending Bill

I'm distressed to see that the Senate Committee on Agriculture has voted to revive 90% rigid, wartime emergency supports on basic commodities. But this is not the only major defect in the bill which the Committee voted out. There are other defects—yes, real dangers.

The Committee also provided that for the basic commodities, parity should be figured on the old or modernized basis, whichever is higher. This means that peanuts, wheat, corn and cotton are singled out from all other crops for special treatment. Of the 136 important crops in the United States and of our various dairy, poultry and livestock products, these four get favored treatment.

In terms of up-to-date supply and demand conditions, the support levels provided by this bill would be:

| Products | Percent of Modernized Parity |
|---|---|
| Peanuts | 107 |
| Wheat | 103 |
| Corn | 100 |
| Cotton | 91 |

Farmers have a right to ask: Why this preferred treatment for a few crops?

The Committee reported out a two-priced plan for rice. There are many objections to the two-priced plan. One of the major objectives for rice is this: The rice-producing countries of Southeast Asia, where the issue of freedom or communist enslavement remains in doubt, will view this as a program to subsidize the export of rice in direct competition with their own rice producers.

No two-priced program, for rice, wheat, or other crops, is going to work successfully so long as heavy surpluses overhang the market.

The Committee reported out a boost in the level of price support for dairy products, and tied the price support for manufactured milk to an out-of-date period. The consequence of this action would be to stimulate milk production, cut the consumption of butter and cheese, encourage the margarine industry and build up government stocks of dairy products. We would lose the ground gained by the dairy industry during the past two years.

True, the Committee reported out of the Soil Bank almost as we recommended it, with the exception of the program for corn. But they loaded down the bill with a number of proposals which are contrary to the interests of farmers.

Take our corn proposals, for example. The Acreage Reserve program can help ease the corn and livestock problem—that is, unless the price support is jacked up to 90% of parity.

About 80% of our corn is fed on farms where it is grown. It is not sold as corn. Corn does not lend itself well to marketing quotas. Acreage allotments are not working. Only about 40% of the production in the commercial areas was even eligible for price support in 1955.

Under the program we outlined to the Senate Committee on Agriculture, acreage allotments on corn would be eliminated from now on. For 1956, all corn producers would be eligible for price support regardless of how much they plant at the already announced level, 81% of parity, a national average of $1.40 per bushel. Corn would have the same kind of a program as for other feed grains and soybeans.

Corn farmers would be given an opportunity to participate—on a voluntary basis—in the Acreage Reserve Program. They would have an opportunity to pull down the heavy carryover of corn and take the downward pressure off prices. Corn production would be freed from control and price supports would be established at levels that would give stability to the market but not price corn out of use. This would prevent undue stimulation of livestock production. And at the same time farm income would be protected and increased.

The Committee rejected this sound approach.

With the Soil Bank the Committee would strive to reduce our surplus. With rigid, wartime 90% of parity supports they would provide the incentive for increased production and growing surplus. Both programs are costly and so far as the effect on our surplus is concerned, directly opposed to one another. It is time to decide which way we want to move in agriculture — toward growing surplus with all its problems or toward a better balance of supplies and markets. That will be the real issue as the Senate debates this bill.

### Past Bankrupt Programs

Let us not return to the bankrupt programs of the past. Price-fixing—90% of parity supports—is **not** the answer to our farm problem. If it were, there would be no farm problem today.

We must not permit the sound proposals made by this Administration to be nullified by a return to the very program which has produced surpluses, low prices, lost markets, and which threatens the basic freedom of our farmers and ranchers.

Interest in the farm problem is great and growing. People of all ages, many occupations, and all parts of the country are studying it and thinking about it.

Last month, a 14 year old girl in New Jersey wrote to President Eisenhower about the farm problem, and this is what she said:

"I do not know much about political matters, but it seems to me that for the Republicans to slaughter pigs is no better than for the Democrats to slaughter pigs. If there is so much extra pork, why couldn't you just ask the farmers to separate the papa pigs from the mama pigs? That way, you wouldn't have to slaughter any little pigs, because none would be born."

In our answer to this little girl we said in part, "We recently advised farmers to reduce their hog production... Our suggestion, in effect, was somewhat similar to yours."

People are thinking about this problem. And they should be. It is their problem. It concerns them. It affects their income, their taxes, their level of living. We welcome this interest in agriculture on the part of all our people. To get this program into effect, to make it work as work it must, we need the help and the cooperation of all our citizens.

The cost-price squeeze that has enveloped agriculture must be relaxed. As to the cost side of the squeeze, I shall continue to defend the interests of American farmers to the utmost extent of my ability.

We are looking into all phases of the question—wage rates, profits, freight rates, shipping provisions, all aspects of distribution and marketing.

As regards the price side of the farm cost-price squeeze, we seek to attack it directly through the Soil Bank and the other recommendations proposed by the President and the Administration.

This program will meet the farm problems of these trying times. It protects the interests and the income of the many farmers who are asked temporarily to cut production. It protects farmers from acres that might otherwise be dumped upon them. It protects livestock producers from undue expansion. It conserves our agricultural resources.

This then is the challenge that lies before us: To get this legislation passed quickly. To provide the tools of government with which we can alleviate farm distress—attack the surplus problem — increase consumption of farm products—help the farmer this year to improve his income position.

The President has asked the Congress to give us the tools. Give us these tools so that we can help farmers help themselves, and with God's help build a constructive sound agriculture for you and your children.

## With Palmer Pollacchi

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John J. Carroll, George J. McCarron and Mario Marrocco are now with Palmer, Pollacchi & Co., 84 State Street.

## Joins Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Harry A. Stathopoulos is now with Hornblower & Weeks, 75 Federal St. Mr. Stathopoulos was previously with Palmer, Pollacchi & Co.

## John G. Kinnard Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn. — Kenneth S. Sheggeby has become connected with John G. Kinnard & Co., 133 South Seventh Street.

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# Outlook for Commercial Finance Companies and Factors for 1956

that today plague owners of closely-held corporations.

In implementing many such acquisitions, commercial finance companies found that the buying concern was usually in a position to pay a portion but not all of the price. A technique was applied where the balance could be supplied by a commercial finance company, if the selling concern had a liquid balance sheet and a good earning record. Either the capital stock or accounts receivable, inventory and other assets of the purchased company were pledged to the finance company, which in turn supplied the necessary cash to consummate the deal.

### A New Application of a Current Financing Technique — Non-Notification Factoring

Five decades of commercial finance activity in pioneering with credit devises from financing of accounts receivable, inventory and machinery loans, to the financing of new commercial and industrial equipment on deferred payment sales plans, as well as the installment financing of automobiles (the early companies to engage in this business were all commercial finance companies) have established secured methods of financing so firmly that presently they account for a sizeable portion of the over-all financing of small and medium-sized business.

At rather frequent intervals one notes the borrowing of a commercial finance company technique and its application to a new field, whether it be the financing of budget charge accounts, air-plane trip and vacation travel, etc.

In the summer of 1955, one of these techniques was borrowed by one of the leading factoring and finance companies, applied as "non-notification factoring" and put into operation with satisfactory results.

Students of the problem recognize that old-line factors, whose services are availed of principally by textile concerns, have encountered serious sales resistance through the years in their efforts to expand into non-textile lines. Even today, over 90% of their total volume of some $3.980 billion is confined to the textile and allied fields. The difficulty seems to lie in the traditional technique that in factoring, the debtor on the assigned account must be notified that the account has been assigned to the factor and is payable only to the factor. It is readily admitted that while this procedure is well understood in the textile industry — and is accepted there as a matter of course — nevertheless, it arouses suspicion and distrust in other industries. Resultantly, in spite of the efforts of factors through the years, the suspicion and distrust continues and it is believed to be the main deterrent to the expansion of factors in other fields. It is hoped that "non-notification factoring" will go far in removing this deterrent.

"Non-notification factoring" has been designed to function primarily for factoring clients selling to the retail trade and, currently, the service is being offered particularly to those selling the retail trade, whether it be plastics, toys, shoes and various types of other manufactures.

The factors instituting this new technique, while guarded in their comments, are optimistic that 1956 will see a greater application and general acceptance of "non-notification factoring" with a resultant increase in volume of business, because of it, in other than non-textile lines.

### A Recent Trend—Bank Participation With Commercial Finance Companies

In 1955 there was a sizeable increase in the number of banks that participated with commercial finance companies in handling the credit requirements of small and medium-sized businesses.

This has come about because of the recognition on the part of depositary banks that in participation with commercial finance companies they are able to minimize the risk involved and lessen the cost of making loans to customers or applicants whose position and requirements are such that an increased line of credit is either no longer warranted or must be reduced in amount and secured lending is necessary. In these instances banks are welcoming commercial finance companies as participants for any of several reasons: (1) to get the benefit of more expert handling through commercial finance company techniques, particularly with respect to accounts receivable, than the bank itself is equipped to provide; (2) to reduce the amount of a bank loan which is borderline or has become subject to criticism; (3) to accommodate a customer beyond the bank's loan capacity; or (4) any combination of these or similar objectives. In other instances, the banks are being introduced to borrowers by finance companies, whose purpose in seeking a bank as participant is to provide a borrower with greater funds and at a lower rate than the finance company can provide by itself. In most of these cases if the bank considers the loan to be sound on a secured basis, it is willing to accept the participation of the finance company in order to get a new depositor or to fill out its loan portfolio, particularly if the bank is not fully "loaned up".

Commercial finance companies believe that there will be an acceleration of the trend of bank participation with commercial finance companies in 1956, particularly in view of the predicted levelling out of the economy after the first quarter.

### Finance Company Services to Small and Medium-Sized Business

Of the four and a half million businesses in this country which are furnishing the goods and services of our economy at the present annual rate of $400 billion, 92% are designated by the Department of Commerce as small and medium-sized. Each year some 300,000 new enterprises come into existence and about an equal number of existing businesses discontinue.

The new enterprises—veritable fledglings—are usually pioneered by men from the bench or the lathe, or by salesmen, most of whom are completely unaware of what it means to finance a new business, and who, for the most part, begin operations woefully under-capitalized. As they grow, even if successful, they are constantly in a thin and over-extended position. Such concerns have always had difficulty in obtaining the credit they sorely need. Commercial banks, circumscribed by law and subject to the scrutiny of bank examiners cannot loan to them, — certainly not in the amounts required. The old rule of current ratios is still a determining factor for bank credit.

In addition to capital, many such businesses are badly in need of counsel and guidance — sometimes even more than they need operating funds. A great many of them do not sense their management limitations and continue to operate within a limited sphere until discontinuance takes its customary toll because of lack of application of elementary principles of sound financial control and management.

Commercial finance companies have no interest whatever in merely making a loan to a small or medium-sized business. Their sole purpose is to provide a flexible comprehensive program adapted to the particular requirements of the business which will provide adequate working funds on a revolving basis, provided, of course, that the business with this help can be made to work out successfully. If such firms need counsel in accounting, financing, styling, merchandising procedures and promotion, the commercial finance companies either provide it or suggest specialized expert counsel — all with a view of establishing the entity with what is necessary to a well-rounded business operation that will show a profit.

If their preliminary examinations indicate that a concern cannot benefit or that they cannot make a constructive contribution towards its welfare and progress, they unhesitatingly say so. This is not entirely altruistic. The losses, troubles and problems which often arise out of financing an unpromising enterprise are out of proportion to the profit that the commercial finance company can make. The finance company's reputation is at stake in each situation, and this reputation has been built upon developing small concerns with inadequate working capital into substantial, successful ones.

For five decades commercial finance companies have successfully financed many enterprises, not only with working capital deficits, but in some extreme situations, with minus net worth. The commercial finance industry takes great pride in its particular contributions to their growth. Many of today's industrial giants, like National Airlines, Dow Chemical Company, Monsanto Chemical Company, and a host of others, utilized commercial financing in their early days to gain a foothold in the industries where they now are leaders.

In 1956, commercial finance companies believe that a greater demand than ever will be made upon them by new companies seeking opportunities not only in the customary areas of business enterprises but in the electronic, automation and the rapidly expanding atomic fields.

### Accounts Receivable Financing

These new enterprises, like many existing businesses, will undoubtedly utilize accounts receivable financing, or the financing of open-book accounts, the financing tool evolved, perfected and made available by commercial finance companies. The special techniques required to make this form of financing a source of immediate credit to the businessman, with a high degree of safety to the financial agency, has worked out satisfactorily over the years, particularly for growth companies. Through the medium of this form of financing, the businessman is able to get adequate working capital to take advantage of his trade discounts, increase his sales, enlarge his profit margin, and resultantly, his net profits. The freedom from red tape with which the businessman can obtain instant cash has intrigued financial students and writers on this subject for many years. Statistics show that only by availing themselves of this form of financing could many businessmen maintain production schedules in the post-war years and in our presently high cost and highly competitive economy. The looked for increase in competition in 1956 among manufacturers, distributors jobbers and dealers in selling their products to consumers will necessitate a greater demand for this form of financing, especially for the company that is inadequately financed or cannot acquire additional equity capital to keep pace with its competitors.

### Equipment Financing

The specialized techniques evolved by commercial finance companies for the financing of income producing commercial and industrial equipment are in sizeable demand again as businessmen are looking for more efficient and lower cost methods — made a must because of increase in labor costs — to meet break-even points.

The outlook for 1956 is that such equipment will be purchased on a far greater scale than in 1955 — particularly as the already announced programs for plant expansion begin to materialize. Consequently, commercial finance companies are confident that in 1956 they will not only be requested to take care of old customers but will be called upon to help finance the acquisition of the new machines that will be integrated into new and expanded plants for they have perfected and simplified financing techniques that can be applied to the ready acquisition of industrial machinery and equipment of various kinds. At the present time a business user can — with the aid of a commercial finance company — obtain from a dealer, on installment terms, any kind of equipment from a dentist's drill and the corner tailor's pressing machine on through bakery, laundry and dry cleaning equipment, textile machinery, machine tools, road-building equipment and on up finally to enormous pieces of machinery like a million-dollar coal-stripping shovel or a huge newspaper press.

### Inventory Financing

Current reports of economists show a continuing rise in inventories since the last quarter of 1955. The commercial finance industry looks forward in 1956 to an increased demand for their facilities in financing necessary inventory accumulations.

The history of this form of financing shows that for many years about the only inventory loans made were those secured by commodities listed on the Commodity Exchanges. The commercial finance companies proved to the business world that the practice of limiting inventory financing to staples was unnecessarily restricted. They therefore removed the bars to this ready means of financing through the application of the security devices of trust receipts, factors' liens or field warehousing arrangements. It is a rare product or commodity, indeed, either in a finished state or raw material, that does not lend itself to this form of financing.

### Conclusion

Commercial finance companies and factors are proud of the services contributed by them along with the vast contributions made by commercial banks, insurance companies and other financial institutions to small, medium-sized and big businesses. They look forward in 1956 to the full utilization of all their resources and to a continuation of the many forms and nuances of their services and techniques which have grown with the American economy and which have taken their tone from the exuberant and rapidly developing industrial life of the United States.

*Continued from page 10*

# Investment Allocation Technique For Commercial Bank Deposits

ous assets suitable for savings deposits.

### Savings Assets Trend

The key factor here, as I see it, is the probable future comparative growth of savings deposits and of mortgages. The past behavior is tabulated in Exhibit C. You will see that mortgages owned by all commercial banks in the country have been growing more rapidly than have time and savings deposits. In consequence, mortgages have tended to represent a rising percentage of savings deposits. If this has been your experience, and assuming that such mortgages come to you from your regular customers, you will want to make room for them.

It looks as though mortgages will be in large supply for an indefinite time to come, and will continue to outrun savings deposits. If so, you should anticipate that the figure of 42% in mortgages, or whatever your own ratio is, will increase, even with mortgage payoffs. That increase in the ratio will displace some other kind of asset, preferably short term, marketable U. S. Treasuries that will involve little or no loss if sale is necessary. These need not amount to any substantial percentage of savings deposits, because the rate of increase in mortgages as a per cent of such deposits has averaged less than two percentage points a year during the past seven years. Ultimately, whether the increased percentage of mortgages is to be at the expense of Treasury obligations or of other bonds, such as municipals, will depend in part upon their comparative yields net after your particular tax rate, at the time when the choice has to be made.

### Consumer Credit

It is worth commenting on the boom in consumer credit in this connection. First, consumer loans are pretty short in term to be allocated to savings deposits; rather, they should go against demand deposits. Second, if your present or pending volume of consumer loans is so large as to tempt you to allocate it to savings, this very fact should make you skeptical about the soundness of some portion of them. After all, this type of debt has jumped 20% in one year from an already high level. Some of these fast growing mushrooms can be poison for a bank. This class of loan particularly warrants your critical inspection, because never before has a major type of loan expanded so fast in response to such a rapid easing in terms.

May I commend to your attention a few of the figures in the last column of Exhibit D, the earnings statement of the Bank of Jonesville for 1954? Note particularly the rates earned on various classes of earning assets against the average rate paid on savings deposits, and compare these with the net rate earned, after income tax, both on capital funds and on total earning assets. The rates earned on assets allocated to Savings Deposits should exceed by more than the applicable operating expenses the average rate paid on these deposits.

### Bond Maturities

Finally, as the last topic, to the extent that we have bonds as well as cash and mortgages allocated to Savings Deposits, we have the problem of bond maturities in relation to market prices and yields.

The asset allocation analytic approach about which we have been speaking assumes that we will allocate longer term securities against slow-changing savings deposits and against capital funds. But underlying this is the further assumption that these longer bonds, say from five to 10 years, are desirable because they will return a higher investment yield and thus help our earning power, as compared with short and readily marketable bonds and the like.

### Bond Yield Spread

The U. S. Government Bond market of late has cast some doubt on the validity of this assumption. In some recent weeks, little more than a quarter of 1% in yield has separated the return on Treasury discount bills and that on the 2½'s of Aug. 15, 1963. No longer are we getting adequately compensated for buying the intermediates in place of the very short paper. So, we have to ask ourselves, "Is there any investment problem? Wouldn't we be just as well off holding nothing but bills and certificates due in less than a year?"

This question is fundamental to policy and deserves to be answered, if possible, on the basis of long-run policy considerations. My own answer—and it's not beyond dispute—is as follows:

(1) The prevailing very narrow yield spreads between short and intermediate term Treasury obligations are the direct result of restrictive Federal Reserve monetary policy during the past year or a little longer.

(2) When the economic boom which made such credit policies necessary finally becomes a little less exuberant, which will inevitably happen, the policies will be relaxed or reversed.

(3) When that happens, the spreads between short and long investments will again widen. As recently as Aug. 3, 1954, Treasury bills were quoted to yield a little better than three-quarters of 1%, while the 2½'s of Dec. 15, 1963-68 yielded 2.32% to their first call date in 1963, a spread of better than 1½%.

(4) Boom conditions, inflationary threats, and credit demands, all of such intensity as to call for Federal Reserve credit policies stringent enough to reduce almost to zero the spread in investment yields as between shorts and intermediates, are the exception, not the rule.

(5) Thus, while I don't look for such spreads to revert to the 1942-45 wartime pattern of ⅜% on short bills to 2½% on long bonds, I do expect that spreads will normally be great enough to justify the philosophy of asset allocation. I expect that normally we will be paid enough for lengthening out maturities to justify our holding in Treasury 5-10 years a majority of our savings deposits not offset by cash and mortgages.

It is worthwhile to point out that one of the occupational hazards that turn bankers' hair white, or remove it entirely, is that a government bond market as "level" in yields as at present is almost always a market depressed in price. Now, as you know, when the bond market rises in price, the longer maturities rise further and faster than the shorts. Hence, it is most worthwhile, in terms of future market appreciation, to lengthen out maturities just when it is impossible to demonstrate to your board of directors that you can improve yields by doing so!

In closing, I'd like to leave with you the thought that the asset allocation approach is a technique, not a formula. It can be applied flexibly, according to whatever yardsticks you may choose to set up for your own bank. Those yardsticks should be established by analyzing the past behavior of demand deposits, savings deposits, cash, and investments. Periodic asset allocations will show up how changes in the balance sheet items and in your bond maturity schedule may be gradually taking you further away from whatever policy goals you have set for yourself.

## EXHIBIT A

**BANK OF JONESVILLE**

**Daily Statement of Condition at Close of Business**

**December 31, 1954**

**(Deposit-size Group 4—$5 to $10 Million—10th Federal Reserve District Average for 1954)**

| | Amount | Percent of Total | | Amount | Percent of Total |
|---|---|---|---|---|---|
| Cash and Due from Banks | $1,488,000 | 24.8% | Demand Deposits | $4,602,216 | 76.7% |
| U. S. Government Securities | 2,178,000 | 36.3 | Time Deposits | 989,784 | 16.5 |
| Other Securities | 558,000 | 9.3 | Capital Stock | 160,000 | 2.7 |
| Loans | 1,734,000 | 28.9 | Surplus | 160,000 | 2.7 |
| Real Estate Assets | 36,000 | 0.6 | Undivided Profits | 80,000 | 1.3 |
| Other Assets | 6,000 | 0.1 | Other Capital Accounts | 8,000 | 0.1 |
| Total Assets | $6,000,000 | 100.0% | Total Liabilities & Capital | $6,000,000 | 100.0% |

**Significant Ratios**

| | |
|---|---|
| Cash and Due from Banks | =26.6% of total deposits |
| Loans | =31.0% of total deposits |
| Capital, Surplus, Undivided Profits & Other Capital Funds | = 7.3% of total deposits |
| Time Deposits | =17% of total deposits |

## EXHIBIT B

**BANK OF JONESVILLE**

**December 31, 1954**

**Possible Form of Asset Allocation**

**(Reconciles with Exhibit A "Statement of Condition")**

| Assets | | % | % Cum. | Liabilities | |
|---|---|---|---|---|---|
| **"General Bank"** | | | | | |
| Cash and Due from Banks | $1,150,554 | 25.0 | 25.0 | Demand Deposits | $4,602,216 |
| U. S. Treasury, Due up to 5 Years | 1,178,000 | 25.6 | 50.6 | | |
| U. S. Treasury, Due 5-10 Years | 655,662 | 14.2 | 64.8 | | |
| Municipal Bonds, Due Up to 5 Years | 300,000 | 6.5 | 71.3 | | |
| Loans and Discounts (No Mortgages) | 1,318,000 | 28.7 | 100.0 | | |
| Sub-Totals | $4,602,216 | 100.0% | 100.0% | | $4,602,216 |
| **"Savings Bank"** | | | | | |
| Cash and Due from Banks | $98,978 | 10.0 | 10.0 | Time Deposits | $989,784 |
| U. S. Treasury, Due 5-10 Years | 216,806 | 21.9 | 31.9 | | |
| Municipal Bonds, Due 5-10 Years | 258,000 | 26.1 | 58.0 | | |
| Mortgages | 416,000 | 42.0 | 100.0 | | |
| Sub-Totals | $989,784 | 100.0% | 100.0% | | $989,784 |
| **"Capital Bank"** | | | | | |
| Cash and Due from Banks | $238,468* | 58.4* | 58.4* | Capital Stock | $160,000 |
| U. S. Treasury, Due 5-10 Years | 127,532 | 31.3 | 89.7 | Surplus | 160,000 |
| Real Estate Assets | 36,000 | 8.8 | 98.5 | Undivided Profits | 80,000 |
| Other Assets | 6,000 | 1.5 | 100.0 | Other Capital Acc'ts | 8,000 |
| Sub-Totals | $408,000 | 100.0% | 100.0% | | $408,000 |
| GRAND TOTALS | $6,000,000 | | | | $6,000,000 |

*At least part of this cash appears to be excess and should be invested.

## EXHIBIT C

**Time and Savings Deposits and Mortgages of All Commercial Banks**

| Year | Time & Savings Deposits at Mid-Year Call Date $ Millions | % Change from Prev. Year | All Mortgage Loans at End of Year, Except as Stated $ Millions | % Change from Prev. Year | All Mtge. Loans as a % of Total Time & Savings Deposits |
|---|---|---|---|---|---|
| 1940 | 15,540 | — | — | — | — |
| 1941 | 15,928 | + 2.5% | 4,906 | — | 30.8% |
| 1942 | 15,610 | — 2.0 | 4,746 | — 3.25% | 30.4 |
| 1943 | 17,543 | +12.38 | 4,521 | — 4.7 | 25.8 |
| 1944 | 21,217 | +20.94 | 4,430 | — 2.0 | 20.9 |
| 1945 | 27,170 | +28.06 | 4,772 | + 7.7 | 17.6 |
| 1946 | 32,429 | +19.36 | 7,234 | +51.6 | 22.3 |
| 1947 | 34,835 | + 7.42 | 9,446 | +30.6 | 27.1 |
| 1948 | 35,788 | + 2.74 | 10,897 | +15.4 | 30.4 |
| 1949 | 36,292 | + 1.41 | 11,644 | + 6.9 | 32.1 |
| 1950 | 36,719 | + 1.18 | 13,644 | +17.3 | 37.2 |
| 1951 | 36,781 | + 0.17 | 14,732 | + 7.8 | 40.0 |
| 1952 | 39,302 | + 6.85 | 15,867 | + 7.7 | 40.4 |
| 1953 | 42,245 | + 7.49 | 16,850 | + 6.2 | 39.9 |
| 1954 | 45,653 | + 8.07 | 18,555 | +10.1 | 40.6 |
| 1955 | 47,700 | + 4.48 | 20,050* | +15.5† | 42.0 |

*Preliminary—June 30, 1955.

†Percent increase over June, 1954.

SOURCES: FDIC and Economic Almanac.

Note particularly:

(1) Rather stable, slow rate of growth of Savings Deposits.

(2) Slowly rising proportion of Mortgages, as a % of Savings Deposits.

## EXHIBIT D

**BANK OF JONESVILLE**

**Statement of Earnings for the Year 1954**

| | Amount | Percent | Indicated Rate Earned for the Year on Amount Held at Year-End |
|---|---|---|---|
| **Earnings:** | | | |
| Interest on U. S. Government Securities | $46,464 | 24.9% | 2.13% |
| Interest & Dividends on Other Securities | 11,942 | 6.4 | 2.14 |
| Earnings on Loans | 102,630 | 55.0 | 5.82 |
| All Other Earnings | 25,564 | 13.7 | |
| Total Earnings | $186,600 | 100.0% | |
| **Expenses:** | | | |
| Salaries and Wages | $61,391 | 32.9% | |
| Interest on Time and Savings Deposits | 14,741 | 7.9 | 1.49% paid |
| All Other Expenses | 40,306 | 21.6 | |
| Total Expenses | $116,438 | 62.4% | |
| Net Current Earns. Before Income Taxes | 70,162 | 37.6 | |
| Actual Net Losses or Recoveries (— or +) | 186 | + 0.1 | |
| Net Increase (—) or Decrease (+) in Valuation Reserves | 934 | + 0.5 | |
| Taxes on Net Income | 22,579 | 12.1 | Tax Rate 32.18% |
| Net Profits After Taxes | $48,703 | 26.1 | Rate earned on Capital Funds=11.94%. Rate earned on Total Loans & Investments=1.09% |

Based on:

Deposit-Size Group 4—$5 to $10 million—10th Federal Reserve District Average for 1954. Percentage figures applied to $6,000,000 bank.

*Continued from page 9*

# Budgetary and Tax Outlook

actly the same and hence an imbalance giving rise to inventory increases or decreases from time to time is inevitable. It is also easy for the confidence which generates prosperity, and is generated by it, to turn into overconfidence and result in inflation, just as the normal caution which prevents excessive growth may degenerate into pessimism and lead to depression.

Today most economists, certainly those in this administration, still believe in free and competitive enterprise, as our forefathers did, but they have become convinced that progress need not proceed as irregularly as in the past and feel that the Federal Government has the capacity and the obligation to do what it can to moderate economic fluctuations without becoming a dominant factor in our economy. The Committee of Economic Development made some excellent studies in this field. During the past year, we have seen a number of instances where wise and timely actions by the government have helped to sustain a healthy expansion of economic activity without turning into an inflationary boom. We have also seen an example of a minor contraction which was prevented from turning into a spiralling depression. Our program of action during this period was largely due to the ability and sound judgment of George Humphrey and Randolph Burgess in the Treasury, Arthur Burns in the Council of Economic Advisers, and William Martin of the Federal Reserve, strongly supported by the President. The best way to fight inflation is to prevent it from occurring; likewise, the best way to fight a recession is to try to prevent it from taking place. Every practical step is being taken to strengthen the foundations not only of our present, but also our future prosperity; the incentives to work, to save, to invest, and to venture.

### International Economic Cooperation

The prosperity of our domestic economy is also heavily dependent upon the international economic and political environment. Here again, the President's experience abroad and his knowledge of world conditions have made him urge intensified efforts to reduce barriers to the international flow of goods and services as well as to maintain active cooperation with other nations in dealing with our mutual problems, both military and economic.

Our economy has started this calendar year in a strong financial as well as a strong industrial position. There have been declines in housing starts, automobile production, and other activities, but they are offset by increases elsewhere. New orders to business firms remain high and continue in the aggregate to exceed current production and sales. Many shortages, particularly of metals, persist and the underlying trends still appear to be upward. Although consumers have recently added heavily to their debts, they have also added substantially to their liquid assets and earning power. As the current liabilities of business firms have risen, their current assets have increased even more. The business outlook is still good.

### Expenditure Analysis

I would like to turn now to a brief analysis of our Federal Government's expenditures in order to point out those areas in which the greatest savings could be made with the help of the taxpayers of the country.

The current expenses for the daily operations of the government and the general administration of all of the departments except defense will amount in the current fiscal year ending June 30, 1956, to \$2.1 billion, or something under 4% of the total budget expenditures. It will be only slightly higher next year (\$100 million) to improve the operations and cut backlogs in courts and commissions, and the Patent Office.

Interest charges for 1956 were estimated in our January budget a year ago to amount to \$6.4 billion but, due to hardening rates, are now estimated to amount to \$6.9 billion, or nearly 11% of the total. Next year they will be \$7.1 billion.

Civil benefits were estimated to amount to \$12 billion for fiscal 1956 in the January 1955 budget but, because of the actions of Congress in the last session and of increasing payments to farmers as the result of larger crops and larger loans than anticipated, they are now expected to amount to \$13.8 billion, or 21% of the total. Next year they are estimated to amount to \$13.9 billion.

Civil benefits is a new classification to include all of the various grants, subsidies, and other benefits authorized by Congress to encourage the development and growth of our economy and provide economic safeguards for individuals and groups.

The largest amount in this total goes to Veterans—\$4.7 billion—for pensions and various benefits such as free hospital and medical care, college and vocational education, unemployment compensation, and loan guarantees. There are 22 million veterans now in civilian life and three million more in the armed services, so you can see what these benefits in the future may amount to.

The next largest amount of civil benefits goes to Agriculture—\$2.8 billion in both years for price support for crops, and for various conservation and soil improvement programs, including the President's 1957 soil bank proposal.

In spite of the continuous efforts to improve the position of the farmers over the last 25 years, the agricultural problem is still a serious one. There has been a downward trend of agricultural prices since the extremely high levels of 1950 immediately after Korea, and this has coincided with increases in wages in the automobile, steel, and other industries which raised the cost of materials and equipment the farmer buys. Most of our trouble, I believe, actually comes from mistakes that were made in the past, from undue interference with the law of supply and demand.

The Department of Agriculture has computed that the realized costs of its stabilization program for the 23-year period from 1932 to 1954 inclusive, have amounted to \$8½ billion, exclusive of unrealized losses in its huge inventories of another \$2¼ billion. The largest amount is for wheat, \$1,972 million, and cotton is next at \$1,581 million. In spite of these price supports or perhaps partly because of them, these two crops are still causing us the most trouble today.

Our wheat, investment in inventory and as collateral for loans as of Sep. 30, 1955, represented over one billion bushels and \$2.7 billion. This is almost enough to supply the total needs of the United States for two full years. Our cotton investment was represented by 8.4 million bales and \$1.5 billion. Our artificial maintenance of prices served to stimulate production all over the world and also the development of substitute foods and fibers. The old approaches to this problem have failed. We would like to see our flexible price program given a fair try supplemented by the new soil bank and other carefully worked out proposals.

Other items included under civil benefits for 1956 are public assistance grants to States of \$1½ billion; various construction projects for buildings, development of water resources, etc., \$1 billion; grants for roads and airports, \$800 million; air and maritime activities, \$400 million; and Post Office deficit \$473 million.

Most businessmen, I think, believe in the user charges principle and will agree with the President that the cost of special facilities and services provided should be paid for insofar as possible by the users. We are asking for postal rate increases in 1957 to reduce and eventually eliminate this deficit.

### Military Defense

The fourth category, the protection of our country which includes Defense, both here and abroad, will amount to \$41.4 billion for 1956, and \$42.4 for 1957, or 64% of our total expenditures. This includes our own armed forces and assistance to our allies, atomic energy, and stockpiling of critical materials. Since 1953, we have made considerable economies in this area as elsewhere through greater efficiency, through putting more men already in uniform into combat units, and reducing personnel in training, in transit and in general overhead, by drawing down excess stocks of consumable supplies, by reducing civilian personnel and by improving procurement methods. Part of the reduction is also the result of a decision to cut the total number of men in uniform because of the end of hostilities in Korea, and because the fire power of the new weapons and revised techniques have radically altered our old plans. At the same time, we are strengthening our air power, stepping up our production of guided missiles and other new weapons, and improving our continental defense system. For the year 1957, these increases have more than offset our savings in other areas which accounts for the billion dollar increase in our defense budget.

We are fortunate, indeed, in having a President who has had such an unequalled experience in building up military forces for ourselves and our allies during World War II and since.

There is hardly any limit to the amount of money we could spend on our military establishment—for all types of protection. If we had the resources, it would be easy to double the amount, but it is doubtful if we would get a superior defense. We are witnessing a radical change in the technologies, and new inventions are daily making reexamination of our orthodox weapons and procedures necessary. New discoveries and improvements are coming so fast that there is little use in building up larger stocks which will be discarded in a couple of years.

There has been recent criticism of our expenditure program for the Army and for guided missiles. But as the President recently expressed it:

There are limits to what you can do in research and development... There are only so many scientists; there are only so many channels you can pursue at the same time. Indeed one of the things you have to watch is not to try to develop too many at once or you block them all through the demands you have to make on the scientific pools. Can you picture a war, the President said, that would be waged with atomic missiles, well knowing that atomic missiles can be of little value unless they have a tremendously powerful explosive head? If one side has them, the other side can do the same thing by one means or another... To suddenly stop everything else and just concentrate on missiles would be working towards something that is no longer war but merely race suicide.

The ballistic missiles program has priority over anything else. It is being developed as rapidly as it can be done in this country. We have provided in the budget an amount of nearly \$1½ billion for research and development in the field for fiscal 1957. We are also providing for extensive warning lines and other defensive measures, and for a greatly expanded Air Force. With all of these new developments, it has been possible to reduce the size of our forces, but it is not surprising that this has caused some resentment and criticism. Each service naturally looks at the problem from the point of view of its own operations. Indeed, it is desirable that the leaders of each service should feel the importance of their service, but the Commander-in-Chief must take into account all of the programs and services provided by the government, and there is no one living today who is more capable in judging the relative merits and importance of these programs than President Eisenhower.

We did not cut expenditures at the time of the two meetings at Geneva last year. The meeting of the Chiefs of State resulted in the professed willingness on the part of the Soviets to explore the possibilities for peaceful solutions to various pressing problems, but when it came to dealing with the actual substance of these problems at the Foreign Ministers Meeting, the Soviets made no concessions whatsoever.

### It's the President's Budget

It is well to remember that the Budget represents the President's judgment regarding the financial requirements for all parts of the executive branch. It is the responsibility of officials of the executive branch to support the President's budget estimates and to refrain from taking any steps which would cause expenditures to exceed the amounts budgeted. Recently, the Director of the Bureau of the Budget sent a reminder to agency heads of these responsibilities with respect to the executive budget, referring them specifically to the Budget Bureau Circular A-10, where the appropriate statutes and rules are set forth.

The national security will, of course, be continually in our minds and under constant review so as to make any adjustments necessary to meet unexpected international or other developments.

I am sure you will agree with me that it is just as important to maintain the strength of the U. S. economy as to build up a strong military establishment. Both are necessary for us to win the peace. The economic system which we have developed seems to be capable of supplying a great variety of our material needs and desires in a manner which allows us political freedom as well. Abundance and freedom have a great appeal to the world and we also have an ethical and a spiritual message which we are trying our best to bring to the attention of the rest of the world.

### Conclusion

In conclusion, I return to my first point. We have submitted a balanced budget. The utmost cooperation between the executive and legislative branches of the Federal Government and taxpayers as well will be needed to prevent increases in expenditures or reductions in receipts that would create a budget deficit. Supporting the present administration in reducing expenditures and extending the present tax rates will be in the taxpayers' own best interests.

In his recommendations for civil benefits and services, the President stated: "We will progress fastest by relying on private initiative as the mainspring for economic growth." Further, "the interests of our citizens are best advanced by encouraging State and local governments to strengthen themselves and thus keep as much responsibility as possible in the States and communities, close to the people themselves." The effect of Federal expenditures is multiplied by encouraging private, State, and local government interests to join in partnership with the Federal Government in meeting the needs for essential services.

The margin of estimated surplus in our revised budget for 1956 and estimated budget for 1957 is slim. As the President said, "the search for additional savings that can be effected while strengthening the security posture and provide essential services must be relentless. We will continue to give the taxpayer greater and greater value for each dollar spent. We will continue to foster orderly growth of our economy through sound fiscal policies."

## Halsey, Stuart Group Offers Houston Ltg. & Power 3¼% Bonds

Halsey, Stuart & Co., Inc. and associates are offering today (March 8) \$30,000,000 of Houston Lighting & Power Co. first mortgage bonds, 3¼% series due March 1, 1986, at 101.153% and accrued interest, to yield 3.19%. The underwriters were awarded the issue at competitive sale yesterday (March 7) on a bid of 100.604%.

Net proceeds from the sale of the bonds will be used by the company to repay short-term bank loans, to finance in part its construction program for 1956, and for other corporate purposes. The company's construction program for this year will involve estimated expenditures of \$33,800,000 for additional generating capacity and facilities, additional transmission facilities, additions to the distribution system and for general plant facilities.

The new bonds will be redeemable at general redemption prices ranging from 104.16% to par, and at special redemption prices receding from 101.16% to par, plus accrued interest in each case.

Houston Lighting & Power Co. is engaged principally in the generation, transmission, distribution and sale of electric energy, serving an area in the Texas Gulf Coast Region, estimated at approximately 5,600 square miles, in which are located Houston, Galveston and 151 smaller cities, villages and communities. Principal activities in the area served by the company include the production of magnesium, sulphur, salt, gypsum, natural gas and petroleum; the manufacture of oil tools, ships, steel and steel products, cement, paper, synthetic rubber, chemicals and chemical products, petroleum products, building materials and food products; and agriculture, including cotton, rice, a variety of livestock feeds and cattle raising.

For the year 1955, the company had total operating revenues of \$66,030,114 and net income of \$15,083,615.

## With Ball, Burge Firm

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Malcolm S. C. McVay has become associated with Ball, Burge & Kraus, Union Commerce Building, members of the New York and Midwest Stock Exchanges. Mr. McVay was previously with Wm. J. Mericka & Co., Inc.

*Continued from first page*

# Growth Stocks in Particular Industries

as the average for the 1952-54 period, there should be many companies to benefit.

Recent studies by Lionel Edie & Co., covering various manufacturing industries indicated that the three industries that spent the highest percent of sales on research and development in 1953, had had an annual average increase in profits between 1947 and 1953 of 52%, whereas the next five industries in order of percent spent on research showed an annual average increase in profits of only 9%. The possibility that more and more companies may enter the category of spending 3 to 4% of sales on research which seems to produce a fairly consistent growth rate of 8-10% a year vs. about 3% for the economy as a whole, means that financial analysts will have to do more field work than ever before.

The prime investment group showing above-average growth due to above-average research, has long been the chemicals. Since 1925 they have grown at a rate over three times the economy as a whole. A 1953 survey of a group of chemical companies showed their research was 3.2% of sales compared to the all-manufacturing-industry average of about 1%. Also, the chemical companies spent 14% of research funds on basic or pure research, or about double the rate for industry as a whole, indicating future growth will continue at a faster than average rate.

Against such a favorable background those who manage pension and similar type funds will probably continue buying both du Pont and Union Carbide whenever new monies are available. However, with du Pont selling for 30 times its chemical earnings, one doesn't exactly urge it on the average investors.

Dow would seem the most attractive blue chip chemical now, even though it has just made a new high. It has now broken out of a nearly year-long trading range, it is once again in "free wheeling" and seems headed higher. Until this move Dow had much lagged its group, having risen only 30% from its '52 high vs. a 91% gain for an index of 11 chemical companies. Yet, Dow's 183% rise in gross property from 1948 through 1954 was largest of any of the 11 companies and compared with 98% for Allied, 116% for Monsanto, 101% for Carbide, etc. Its 151% sales increase was also largest, comparing with 37% for Allied, 112% for Monsanto, 46% for Carbide. Its 58% gain in net income, however, was well below average largely due to accelerated amortization. On a cash flow basis, Dow has been cheapest of the above companies. Now reported earnings may gather momentum. There are still no earnings from magnesium but Dow might later earn $1 a share from this metal alone. Dow research has recently included 97 pilot plant operations, suggesting a continuing flow of new products. When Dow reports research as 3% of sales, they do not include Pilot Plant expenses so it is really nearer 4%. Since earnings should reach $4 to $5 or more in say four or five years, I would continue buying this fine growth stock. Would also recommend Dow converts which yield more than the common, though latter's dividend may be increased in May.

American Cyanamid is also attractive. Its price is lowest in relation to cash flow of any of the larger chemicals. It is overcoming the problems in its own new plant as well as in plants built for others such as Howe Sound. It may now branch out more into consumer-type lines which, in turn, might presage more activity with the synthetic fibre it is now market testing. Cyanamid has at last changed to a decentralized management—following the example of GE, General Motors, du Pont, and others. This could be important longer term. Earnings might be close to $5 in '56 vs. an estimated $4 last year with chance that dividend might rise to $3. If so, this would give ACY a better yield and lower price-earnings-ratio than most companies in its group. Believe this stock may be candidate for a split when it gets into the 75-85 range. It has a good chart pattern.

Among smaller chemical companies, International Minerals now appears to be turning the corner with earnings now established in uptrend. This stock sold above 41 last year. A specialized small chemical with appeal is FILTROL maker among other things of catalysts in both synthetic and natural clay form. These are finding wide application in industry. This company encountered serious problems with its new chemical plant but has overcome these, is now showing a steady rise in earnings which in '56 may approach $6.50-$7 with the annual rate later this year in the $7-$8 range, and with possibility that within a year or two, if all goes well it might be at a $9-$10 rate. Being bullish on the strongly expanding use of catalysts generally, we should also take a good look at Minerals & Chemicals, now in the mid-30's, since they might eventually show a very large earnings gain even though current earnings are small.

I also would recommend certain companies whose chemical business started originally as a sideline, but is now growing so steadily it may prove the tail that wags the dog. Food Machinery has improved management in its big chemical division while its new plants that had excessive starting-up costs and problems for so long are now working efficiently. Last year's earnings set new peaks in the company's history and this year may be in the $5-$5.50 range with good longer-term potentials. Corn Products Refining, Goodrich and National Distillers are among the other interesting companies where a former sideline chemical division is now becoming important.

The growth group which institutions favor most after the chemicals are the utilities. Latter lack the research aspect emphasized earlier but institutions and individuals alike love their assured growth of about 7% yearly (only slightly under that of the chemicals). Utilities also offer above-average safety plus yields of 4-5% and in some cases more. Utility stocks will benefit from any easing of money rates in an election year. The real story though is their growth trend. One utility executive talked to this week feels that use of electricity may almost "burst out" in dynamic fashion over the next few years and that in 10 or 15 years a much higher portion of the nation's "energy supply" will be transported by copper wires rather than in freight cars or pipelines as now. Whether this occurs or not, there does seem little doubt that heat pump use could, at some point, expand rapidly, particularly in the South. The Southern Co. has over 1,000 heat pumps now on line. They report most owners as "tickled pink." Installations elsewhere are growing but most utilities don't dare promote them till they, themselves, have more capacity.

Isn't there real possibility a major change may take place in utility attitudes towards capital structures that could be very favorable to common stockholders? When the SEC first began bringing operating companies out of holding companies, it placed great emphasis on maintaining high common equity ratios, around 40 to 50%. Many electric utilities have financed with common and surplus ratios nearly twice those of the natural gas companies, for example. This kept earnings so diluted that stockholders of some companies have had small benefit from the fine gains in gross. Now this may be changing. If so, it will help utility stocks. Hence, renewed attention may be accorded companies with high common equities, especially if they have good growth trends. Cleveland Electric, with 46% common and surplus, is one of best quality utilities in the country. It may have no common dilution for nearly two years. Commonwealth Edison may now begin financing with preferreds and thus raise common earnings. Houston Lighting has 40% common equity and even without changing this could in less than five years earn at better than a $3.50 rate and sell near 60.

Having long and strongly espoused the thesis about investing in the growing south and southwest, I now also favor a thesis about the growing northwest. This may prove the next big growth area. The data I had compiled to show this must be omitted due to lack of time but it is quite convincing. Among the utilities to benefit from the strong growth of the Northwest is Puget Sound Power & Light with its whopping 57% common equity and 43% debt. It now has a big expansion program, will sell debt, and could build common earnings strongly. Portland General Electric has 40% common and 60% debt.

One of the most dynamic utilities over next few years may be the Idaho Power Co. which also benefits from this Northwest thesis. For several years it stood still on construction due the long hearings on its Hell Canyon program. Now a unanimous FPC decision may lead it to raise capacity 2¼ times or more in the next 10 years, for one of biggest percent gains in the industry. Last year's earnings of $1.87 could rise more than 50% in five years. When earnings move above $2.50 this stock should be selling in the 40's. It pays $1.20 now, may raise to $1.40 within a year. It would then yield 5%, a high return for a utility which has growth prospects such as those already seen in Florida and Texas.

Ranking high for both their growth and investment qualities are the oils. Many investors were surprised at a recent tabulation showing that over the 10 years ended 1954 a selected group of oils had surpassed a similar number of chemicals in percent gains in sales, earnings and price rise. Our multi-pronged thesis on oils also includes a series of geophysical and drilling reasons for believing underground reserves will rise more in their appraisal by the market than many investors expect. Particular attention should be accorded Gulf Coast developments. Socony is having great success there, and since a lower percent of its total earnings come from the Mid-East than for the other four Internationals, would favor this issue. Standard of Indiana is purely domestic and some regard it as the highest quality oil on the Exchange. This giant is getting much more active in its search for reserves. Its earnings might exceed $5 this year and could sell at 13 to 14 times earnings which would give a good capital gain with a nice 4.5% yield, meanwhile, from cash and stock dividends. Another fine blue chip is Royal Dutch with $23 cash flow and possible capital changes this spring that could help these shares. There are also special reasons for liking Skelly, Anderson Prichard, Shamrock, Argo Oil and other producing type companies. The search for oil has reached the stage where it is cheaper to acquire than to drill. Would expect more mergers.

Another investment grade thesis is the one about drug stocks. They behaved brilliantly from 1948 to late '51, then did worse than average for nearly four years but in '55 began to improve relatively. The whole world is getting more health conscious. In the U. S. our population has expanded rapidly at both ends of the age scales — children and oldsters. This is favorable to drug companies. Drug research is growing strongly though still below rates of leading chemicals. Merck reputedly has the largest staff of research and technicians—around 800 men whereas some other drug firms have around 400-500, Merck should have a steady flow of new or improved products. I like this issue.

We would buy Parke Davis again. Any day now would expect the government to release Parke Davis' Salk vaccine made by the ultra violet ray method perfected by General Motors. This provides an extra precautionary method, and due to certain new chemical procedures also seems able to kill all virus without fail, yet at same time provide better antigenicity. Under the old process they would make, say, five batches and have to throw away 2 or 3. Now they make batch after batch without loss. One should not over-estimate near-term earnings from this vaccine as actually the big comeback in chloromycetin sales in much more important just now. Many other products are under development—some with interesting potentials. Earnings in '55 rose to $2.92 from $2.14, may rise further to $3.30-$3.40 this year with good long-term trends reflecting the build-up of research. This is the broadest based drug company in the group and could be bought at these levels. Other drug stocks favored are Schering, which may earn well over $5 this year, G. D. Searle with its interesting new drugs and the aforementioned American Cyanamid.

Since major drug developments lie ahead that will further reduce mortality rates, we should still adhere to our long held, long profitable thesis about life insurance stocks. This was the best growth group of all for a five year period. Share prices have now dropped down from their peaks, yet are rising. Would still buy Lincoln National, Connecticut General, Travelers and also Manufacturers Life in Canada.

The biggest research expenditures in relation to sales—at times as high as 10-14% if one includes government research projects — are those of what could be called the Defense Industry where many strongly growing companies can be found. Most such companies are not too popular with institutions and thus sell rather low in relation to earnings. However, the research underway is so tremendous in scope and the ultimate production schedules so large that benefits could be important, particularly when one considers that many civilian products should eventually develop from these efforts.

The four major defense industries, namely, atomic energy, electronics, aircraft and guided missiles are so intertwined it is often hard to separate them. Many companies are active in all four. Investor interest in well-run companies in these fields may gradually increase, with particular attention likely for guided missile makers. Near-term it may have more impact on the economy than will atomic energy. Just recently the Chairman of the Armed Services Committee called for a further $1½ billion increase in this already large program. The government's expenditures for research and development in the combined fields of aircraft and guided missiles is up sharply to $550 million this fiscal year and is scheduled to reach $625 million the next year when it would be over 40% of total defense research costs. With so much research kept in custodianship for the days when more of it can be turned to civilian applications, it seems possible these stocks may improve their investment standing meanwhile.

As for expenditures on mass-produced guided missiles, these may reach a billion dollar annual rate by next year and double this rate by 1960 even if the intercontinental missile (ICBM) is not in production then. When technical problems of these long-range models are solved, there could then be a big jump in such expenditures. As it is, total spending for aircraft and guided missiles combined in fiscal '57 are already scheduled near $8 billion. Such big volume warrants investment in some companies in those fields almost irrespective of Red "peace offensives" or renegotiation fears, etc. I would buy partial holdings at these levels and buy more should there be any weakness from Congressional investigations as to profit margins.

Boeing is interesting for those who can assume risks. It is active in missiles with its Bomarc interceptor, a ground-to-air missile, with range of maybe 300 to 400 miles. Would expect the government to build and experiment with shorter- and medium-range missiles first—in order to gain needed experience before placing big orders on intercontinental missiles. About 10% of Boeing's business may be in missiles now but large such orders seem likely later. Boeing developed the B-52 intercontinental bomber on which it has rising orders. Its commercial position is improving as its No. 707 plane has gained real airline acceptance. Its self-developed jet tanker transport, the KC-135 is bringing in large orders as apparently a tanker is required for almost every big bomber. With total backlog over $2 billion and likely to be well-maintained, with prospects that earnings may be $11-$12 this year, rising conceivably to the $14-$16 range in three years or so even if margins are reduced further, believe this stock of interest for the patient investor.

Bendix is off from its peak due in part to auto cutbacks but with missiles and components already about 15% of sales and with its own and governmental research projects about 14% of last year's sales, believe earnings next year may emerge from the 1955-56 plateau around $5.

Radio Corp. has the largest electronics research program. 1956 earnings may be only 10% above last year's $3.20 but 1957 should be better depending somewhat on color TV. RCA operates the big Florida guided missile testing range which gives it good missile experience, it supplies electronic guidance systems for missiles and has large defense orders generally. Since 60% to 70% of guided missile costs are for electronics, RCA could be a real beneficiary. Additionally, it has five or six major peacetime electronic developments under-way, any three or four of which, if successful, could have good impact on profits. Doubt any consent decree will hurt much. Since earnings before too many years might reach the $5 or $6 range, would use this stock in all accounts.

General Dynamics being volatile, and so dependent on government orders, has not had wide appeal. However, it provides a good cross section of defense business, has a heavy research program, and is active in atomic energy due its work on atomic submarines where larger orders may be pending. Through the Stromberg Carlson acquisition, it shares actively in electronics and it has long been active in guided missiles through its work on the Atlas, a long range type. Earnings may approach $5 this year and possibly reach the $8-$9 range in 1958 or '59. The 3½% converts of '75 are a conservative way of participating.

Thompson Products through its half-owned Ramo Wooldridge, which is weapons manager for the long-range Atlas missile, may some day find this division a major manufacturing enterprise, with its own earnings likely to show large advance over the present earnings plateau around $4 where it is now held by auto cutbacks. Sylvania Electric is earning over $4, shares in ancillary aspects of the missile business and is of interest because of its work in "counter measures." Latter is almost a story by itself.

Before leaving missiles, would note that some day some companies may benefit much from jet and missile fuel requirements. Chemical fuels might have a big future aside from military uses in rockets. Some believe rocket delivery of mail and high value freight is likely within 10 years. "Rocket sled" travel on railroads built with overhead rails is also predicted. We are watching this fuel field, but the Aero-jet Co., 99% owned by General Tire, is very highly rated by some companies we talk to. You can buy the Aerojet stock separately or through General Tire. Thiokol up sharply since last recommended, still seems of interest. Metal Hydrides may supply some of the chemicals used in these fuels.

In electronics, high research expenditures are developing new products for Beckman, for Consolidated Electro-Dynamics, for the railroad equipments that are heavy in electronics such as Westinghouse Airbrake and General Railway Signal, for the office equipment companies where Burroughs now spending over 3% of sales on research and National Cash Register now up to 2½% or more, are winning more investment attention and look attractive.

In general, one might say that since the guided missiles, electronics, atomic energy and aircraft groups now have the highest percent of research to sales of any group, this, therefore, seems certain to generate a great stream of developments which, in turn, should later open up new industrial and commercial markets. This could later mean an upward rise in price-earnings-ratios for many such companies.

Note that all these developments in guided missiles, electronics, atomic energy, jet engines, gas turbines are highly dependent on new metallurgical developments. The trend is toward more and more tailor-made alloys with new qualities of heat and corrosion resistance and with higher strength and lighter weights than ever before. Great research is under way. Our "Metallurgical Thesis" has included the producers of these alloying materials such as Falconbridge and Sherritt Gordon in nickel, both of which may show good earnings gains, due to both rise in output and price of this metal; Howe Sound with its big cobalt reserves and its new plant finally working well so that earnings may now rise above $3; Beryllium Corp. which has almost a monopoly in that fast-growing, highly-valuable alloy metal and where earnings are rising sharply to above $3 and with ceiling unlimited, Lindsay Light & Chemical whose output of rare earths could become increasingly important as energetic scientists finally achieve success in determining which of the 15 strange elements in what are called rare earths are the really valuable ones. Lindsay's position in thorium is pre-eminent. This stock is at last reasonably priced in relation to current earnings that may exceed $3 and rise to a still higher annual rate before the year-end. Vitro comes under this thesis, too. We have also had interest in the fabricators of these special alloys, such as Allegheny Ludlum, Crucible and Eastern Stainless Steel (which within a few years might earn in $7-$10 range if enough nickel is then available).

My time is running out and other 1956 theses have not been mentioned. For example, there are special reasons for a thesis on selected airline stocks for '56. There is the thesis about meat-packing stocks, which are overcoming 20 years of adversities, which should show a sharp earnings gain in '56, and some day may even become semi-investment issues; also the thesis about companies benefiting from lower raw material costs such as Corn Products Refining whose active research-minded President now believes they have over 100 new products in various stages of development, with a good jump in earnings likely this year, (this stock has just made an important move chartwise). Another thesis covers the strong, long-term growth in the use of lightweight metals with further developments in Aluminium, Ltd. which might add roughly $1 per share per year to the earnings of that fine blue chip over the next five years so that earnings of $10 per share might then be possible with still higher levels later. Nor should any discussion of growth stocks close without mentioning these continuing favorites—Minnesota Mining and Owens, Corning Fibreglas. Likewise, there are a variety of special situations such as American Smelting which is showing rising earnings from its regular operations and owns listed securities worth nearly $90 million which are carried at less than $25 million, a fact that may get more market recognition as the year progresses. Also favored in '56 are Kennecot where a split seems approaching and DuVal which has a very interesting new copper property.

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*Continued from page 5*

# The State of Trade and Industry

skimpy. Looked-for production during the present quarter would top January-March, 1951—current runnerup—by 10%.

"Ward's" production estimate for the current week is 136,121 cars and 25,702 trucks or 9.2% above the total for the previous week.

Although car manufacturing is running 17% behind 1955's year-to-date turnout (1,222,405 units to 1,472,315), "Ward's" said that truck activity is running a phenomenal 30.5% ahead of last year (217,987 units to 167,051).

"Ward's" said that truck manufacturing has accounted for 15.1% of total car-truck production for the year to date. Trucks were credited with 13.6% of United States vehicle output in entire 1955.

### Steel Production This Week Set at 98.4% of Capacity

Steel buying is being stimulated by the approaching steel industry labor negotiations, "Steel" magazine stated in the early part of this week. The metalworking weekly declared that some consumers are ordering more tonnage than might be the case were the outlook clearer.

There is no way to determine at this stage whether either side is ready to walk into a work stoppage, this trade weekly added. All that can be said with any degree of certainty is that prices will quickly reflect any increase in labor costs.

Basic steel management expects some pretty stiff demands, based on union leaders' statements and trade speculation over recent months. Union proposals are likely to include a supplemental unemployment benefit plan, an hourly wage increase and premium rates for Saturday and Sunday work.

The metalworking weekly pointed out that contract settlements by smaller metalworking companies since October have ranged from 6 to 12 cents an hour in direct wage boosts, plus expansion in pension, hospitalization and insurance programs. Among these smaller firms, there are more two and three-year programs.

This week, according to "Steel," over-all demand appears as strong as ever, despite easing in automotive requirements.

Producers will enter the second quarter with substantial backlogs in all the major products, including sheet and strip, the publication said.

The steel expansion program is adding pressure to the demand for steel. For every ton of steel ingot capacity built, 0.4 of a ton of steel is required.

"Steel" said expansion projects of 24 steel producers total 14,200,000 ingot tons. With most of them to be completed in the next three years, that means expansion will be moving along at a 4,000,000 ton a year average.

Outlay in 1956 for new equipment and construction will set a record of $1,200,000,000. "Steel" estimates that over the next 15 years, the industry will spend an additional $16,500,000,000 for expansion.

Scrap prices continue to slide from $49 a gross ton last week to $48.33, the decline amounting to $5 per ton over the last month. The finished steel composite advanced slightly to $128.02 a net ton, pushed upward from last week's $127.91 by minor revisions.

**The American Iron and Steel Institute announced that the operating rate of steel companies having 93.1% of the steelmaking capacity for the entire industry will be at an average of 98.4% of capacity for the week beginning March 5, 1956, equivalent to 2,422,000 tons of ingot and steel for castings as compared with 99.9% of capacity, and 2,459,000 tons (revised) a week ago.**

**The industry's ingot production rate for the weeks in 1956 is based on annual capacity of 128,363,090 tons as of Jan. 1, 1956.**

**For the like week a month ago the rate was 99.1% and production 2,439,000 tons. A year ago the actual weekly production was placed at 2,241,000 tons or 92.9%. The operating rate is not comparable because capacity is higher than capacity in 1955. The percentage figures for 1955 are based on annual capacity of 125,828,310 tons as of Jan. 1, 1955.**

### Electric Output Held To Easier Trend the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, March 3, 1956, was estimated at 11,199,000,000 kwh., a decrease below the week ended Feb. 25, 1956, according to the Edison Electric Institute.

This week's output fell 78,000,000 kwh. below that of the previous week; it increased 1,472,000,000 kwh. or 15.1% above the comparable 1955 week and 2,613,000,000 kwh. over the like week in 1954.

### Car Loadings Declined 1.6% in Latest Week But Were 8.9% Above Like Period in 1955

Loadings of revenue freight for the week ended Feb. 25, 1956, which included the Washington Birthday holiday, decreased 11,301 cars or 1.6% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended Feb. 25, 1956, totaled 687,018 cars, an increase of 55,946 cars, or 8.9% above the corresponding 1955 week, and an increase of 91,987 cars, or 15.5% above the corresponding week in 1954.

### U. S. Automotive Output Registered a Gain of 9.2% Above the Previous Week

Car output for the latest week ended March 2, 1956, according to "Ward's Automotive Reports," was estimated to be 8.5% and truck building 13.4% over the respective totals for the prior week.

Last week the industry assembled an estimated 136,121 cars, compared with 125,502 (revised) in the previous week. The past week's production total of cars and trucks amounted to 161,823 units, or an increase of 13,648 units (9.2%) above the preceding week's output, states "Ward's."

Last week's car output advanced above that of the previous week by 10,619 cars, and truck output by 3,029 vehicles during the week. In the corresponding week last year 167,811 cars and 15,937 trucks were assembled.

Last week the agency reported there were 25,702 trucks made in the United States. This compared with 22,673 in the previous week and 15,937 a year ago.

Canadian output last week was placed at 8,000 cars and 1,951 trucks. In the previous week Dominion plants built 6,464 cars and 1,619 trucks, and for the comparable 1955 week, 8,369 cars and 775 trucks.

### Business Failures Showed a Considerable Rise the Past Week

Commercial and industrial failures climbed to a new post-war peak of 293 in the week ended March 1 from 230 in the preceding week, Dun & Bradstreet, Inc., reports. Reaching the highest level since the week ended March 27, 1941, the toll exceeded the 222 of a year ago and the 223 in the comparable week of 1954. Failures were 15% above the pre-war toll of 254 in 1939.

Failures with liabilities of $5,000 or more increased to 242 from 199 last week, and were considerably above the 183 of the similar week of 1955. Among small failures, with liabilities under $5,000, there was a rise to 51 from 31 a week ago and from 39 in the previous year. Failures in concerns with liabilities above $100,000 totalled 25, the same number as last week.

All industry and trade groups reported higher failures during the week. The retailing toll climbed to 148 from 115, manufacturing to 50 from 41, construction to 42 from 32, wholesaling to 31 from 29 and commercial service to 22 from 13. More concerns failed than a year ago in all lines; the sharpest increases from 1955 occurred in the service and construction lines. Tolls among retailers and manufacturers rose moderately above last year, while the increase among wholesalers was very slight.

Geographically, the week's increase prevailed in seven of the nine major regions. The toll in the Middle Atlantic States rose to 85 from 75, in the South Atlantic States to 44 from 24 and in the Pacific States to 68 from 46. The exceptions to the general increase were the East and North Central States where slight dips occurred. All regions except the Middle Atlantic had more failures than last year; the most noticeable rise took place in the South Atlantic region where almost three times as many concerns failed as a year ago.

Canadian failures numbered 23 as against 33 in the preceding week and 39 in the comparable week of 1955.

### Wholesale Food Price Index Holds To Irregular Trend of Past Weeks

The Dun & Bradstreet wholesale food price index advanced slightly last week to continue the irregular movement of recent weeks. The index rose to $5.95 on Feb. 28, from $5.93 a week earlier. It compared with $6.63 at this time a year ago, or a drop of 10.3%.

Up in wholesale cost the past week were rye, beef, hams, bellies, butter, sugar, cottonseed oil, cocoa, hogs and lambs. Lower in price were wheat, corn, oats, lard, coffee, eggs and steers.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

### Wholesale Commodity Price Index Registered an Easier Trend the Past Week

After reaching a new two and a half year peak early in the week, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., eased slightly to close at 281.19 on Feb. 28. This compared with 281.82 a week earlier and with 274.82 on the like date a year ago.

**The index touched 282.28 on Feb. 23, highest since Sept. 10, 1953, when it stood at 282.83.**

Activity on the Chicago Board of Trade increased sharply last week, especially in wheat and soybeans. The latter scored good price gains during the period to establish new highs for the

*Continued on page 49*

# Mutual Funds

By ROBERT R. RICH

## New Use For Old Idea

VenCap, Inc., a Massachusetts investment company organized to provide a portfolio of securities of small and growing companies primarily engaged in the conduct or development of new processes, products and enterprises has placed 4,330 shares of its common stock on the market.

Priced at $20 a share, the stock has been offered directly by the company to Massachusetts residents only and will provide VenCap with about $86,000 of initial investment capital.

In addition to working closely with the managements of the various companies whose securities are purchased, VenCap expects to inform its shareholders regularly of promising opportunities in which, for portfolio reasons, the company is not interested, but in which individual shareholders might wish to participate directly.

Nine leading Boston businessmen comprise the board of directors who will manage VenCap without compensation for the first full fiscal year.

Vernon A. Bahr, a member of the faculty of the Harvard Graduate School of Business Administration is chairman of the board. Other directors include Jerome S. Augustine, Associate of Scudder, Stevens and Clark, investment counsel; Francis E. Baker, Jr. and Dr. Harry L. Barrett, Jr., busines researchers; John M. Frey of the Cadillac Automobile Co. of Boston; William H. White of the Kendall Company; and Kingston L. Howard and Gordon L. Wahls of Brigham's. Seven of the directors hold advanced degrees from the Harvard Business School.

Classified as a closed-end, non-diversified investment company of the management type, VenCap will select securities on the basis of long-term investment performance. More than 65 new and existing processes, products and enterprises are currently under active consideration by the company.

## No Boom, Bust Seen in 1956; Earnings, Dividends to Stay Steady

"The broad forward movement of business and stock prices appears likely to moderate in pace" during 1956. This is the opinion expressed by Distributors Group in its latest quarterly "Interim Report," a continuing study of reviews of industries.

Group feels that a "period of consolidation against a rather solid background of really excellent earnings and dividends is much to be desired over too much boom—and thereby an increasing possibility of 'bust.' For the year ahead either extreme appears most improbable."

The report expresses the opinion that, "although 1956 is a 'political' year, economic factors will still govern the broad trend of securities markets," with earnings and dividends broadly averaging about the same, or only slightly higher, than 1955.

Top earnings increases for the year are seen for the railroad equipment industry, estimated at 20% over those for 1955, with mining up an estimated 17%, merchandising 13% and food 12%.

In analyzing industries whose securities are normally considered useful for long-term growth of principal and income, the report cautions against the short-term price fluctuations of aviation stocks, although pointing out that, over the longer-term, they may well continue to be outstanding performers.

Chemical and electronics and electrical equipment stocks, according to the report, "appear to be in a position to resume their long-term growth trend." Petroleum stocks, despite some recent price rises, "still appear to be attractive."

Among industry groups useful for relative stability of principal and income, food, merchandising and tobacco stocks "appear to be in a sound value position from which better-than-average price action should develop." Utility stocks also seem to be heading for such a position.

Among the cyclical groups, the "only average" performance of building stocks is not expected to improve in the near future and automobiles and steels "seem to be losing their forward momentum." Industrial machinery stocks are expected to run somewhat ahead of the general averages and railroad equipment stocks "show strong signs of reversing their hitherto unfavorable relative price performance."

The future action of railroad stocks, despite excellent financial figures, is considered somewhat uncertain. The report sees no immediate signs of an end to the favorable trend of mining stocks which began in early 1954.

## I. D. S. Earnings

Net earnings of Investors Diversified Services, Inc., including undistributed earnings of its wholly-owned subsidiaries, amounted to $10,449,000 in the 12 months ended Dec. 31, 1955, compared with $8,575,000 in the preceding year, according to preliminary figures released by the company today. Earnings per share rose in 1955 to $7.19 compared with $5.90 in 1954. The 1955 results included 34 cents per share profit on investment transactions compared with none in the previous year.

**OPEN-END COMPANY STATISTICS—MONTH OF JANUARY, 1956**
**126 OPEN-END FUNDS**
(In 000's of $)

| | Jan. 31, 1956 | Dec. 31, 1955 | Jan. 31, 1955 |
|---|---|---|---|
| Total Net Assets | $7,728,429 | $7,837,524 | $6,240,767 |
| | **Jan., 1956** | **Dec., 1955** | **Jan., 1955** |
| Sales of Shares | $123,146 | $103,539 | $109,783 |
| Redemptions | 40,478 | 29,276 | 47,299 |

**Holdings of Cash, U. S. Governments and Short-Term Bonds**

| | | | |
|---|---|---|---|
| Jan. 31, 1956 | $438,158 | June 30, 1955 | $362,553 |
| Dec. 31, 1955 | 437,966 | Dec. 31, 1954 | 308,701 |

| Accumulation Plans (83 Funds Reporting) | Jan., 1956 | Dec., 1955 | Jan., 1955 |
|---|---|---|---|
| Number of New Accumulation Plans Opened in Period | 12,930 | 9,522 | 8,618 |

## American Fund At $49 Million

American Mutual Fund, assets mounted to over $49,000,000 with the merger of Pacific-American Investors, Inc. into American Mutual which became effective at the opening of business Feb. 1, President Jonathan B. Lovelace announced.

At the close of business Jan. 31, as of which date asset values were determined for purposes of the merger, American Mutual had total assets of $29,287,616.98, equivalent to $8.31058310 per share of capital stock outstanding. After allowing for the elimination of 89,696 shares of preferred stock purchased for cash, the Pacific-American net assets of $19,857,413.26 were equivalent, after allowing for the preferred stock remaining outstanding, to $9.90815374 per share of common outstanding.

Under the terms of the agreement of merger the preferred stock of Pacific-American was exchanged on the basis of $26.25 per share of preferred and the common stock of Pacific-American was exchanged on the basis of its net asset value of $9.90815374 for shares of American Mutual at their net asset value of $8.31058310 per share.

The number of shares of American Mutual capital stock to be issued to each holder of Pacific-American preferred was determined by multiplying the number of shares held by $26.25 and dividing the product by $8.31058310.

The number of shares of American Mutual to be issued to each holder of Pacific American common was determined by multiplying the number of shares of Pacific-American common held by $9.90815374 and dividing the product by $8.31053310.

On the foregoing basis each share of Pacific-American preferred receives approximately 3.159 shares of American Mutual and each share of Pacific-American common approximately 1.192 shares of American Mutual. Cash will be paid in lieu of fractional shares. There was no change in the outstanding shares of American Mutual.

**National Investors Corporation** asset value increased to $18.13 at the end of 1955, up from $16.53 a year earlier, the growth stock mutual fund reported in its 19th annual report.

Net assets totaled a new high of $57,289,942 at year-end, 21% more than the $47,218,073 at the end of 1954. The greater portion of this increase of more than $10,000,000 resulted from improvement in market value of inv stment holdings. New shares issued accounting for only $3,095,614.

## Over 50,000

The number of domestic shareowners of Television-Electronics Fund has crossed the 50,000 level for the first time in the fund's history, it was announced today by William H. Cooley, President. On Jan. 31 the fund's shareowners in the United States numbered 50,245. In addition, there are some 15,000 shareowners who reside in England, France, Holland, and Switzerland.

## Futures Reports

Net assets of Futures, Inc., commodities mutual fund, aggregated $213,575 as of Dec. 31, 1955, compared with $103,135 on Dec. 31, 1954. Net asset value per share at the close of last year amounted to $3.15, against $2.99 at the end of 1954. As of Jan. 31, 1956, total net assets of the fund were $244,528, and net asset per share was $3.67, compared with net assets of $106,321 and net asset value per share of $2.94, as of Jan. 31, 1955.

## Tax Shelters For Atom Industry Asked By Steers

Because of the enormous political implications of continued world leadership by the U. S. in atomic energy, Newton I. Steers, Jr., President, Atomic Development Mutual Fund, Inc., has made the following suggestions for additional incentives to private industry in response to an invitation by the Joint Committee on Atomic Energy:

(1) That profits obtained from all non-governmental atomic enterprise be tax-free for a period of three years. This would apply not only to atomic power, but also to other specified varieties of atomic enterprise which would of course have to be spelled out by the Congress and certified by the Atomic Energy Commission on a case-by-case basis.

(2) Rapid amortization for tax purposes should be allowed on any new atomic ventures which will advance the art. The AEC's Civilian Application Division and the Bureau of Internal Revenue could administer such a plan.

In advancing these two interrelated ideas for stimulating private incentive in the atomic field, Mr. Steers pointed out that they would provide a modern day counterpart to the land grants of the last century which operated so successfully to stimulate construction of the nation's railroads. The invitation to comment was an outgrowth of the recent "McKinney Panel" report on the Impact of the Peaceful Uses of Atomic Energy.

## Bush Elected Trustee of Putnam Fund

Vannevar Bush, one of the country's foremost scientists and administrators, was elected a trustee of The George Putnam Fund of Boston, at the annual meeting of shareholders yesterday.

Reelected as trustees of the fund were George Putnam, Charles M. Werly, Louis J. Hunter, Stanley F. Teele, Dean of the Harvard Business School, and Horace S. Ford, former Treasurer of Massachusetts Institute of Technology.

A native of Everett, Mass., Dr. Bush was Vice-President and Dean of the Engineering School of Massachusetts Institute of Technology until 1939, when he became President of The Carnegie Institution of Washington, serving in that capacity until retirement in December, 1955.

During World War II he was appointed Director of the Office of Scientific Research & Development by President Roosevelt and was responsible for the mobilization and direction of the nation's scientific and engineering effort, one of the results of which was the development of nuclear fission culminating in the atom bomb. At the end of the war he became the first Chairman of the Research and Development Board of the National Military Establishment.

He is the author of various scientific and philosophical publications, one of which, "Modern Arms and Free Men," discusses the role of science as a constructive force in preserving democratic institutions and serving the general good.

In commenting on Dr. Bush's election, George Putnam, chairman of the trustees, said "In this era of rapid and complex scientific change, the investment manager must keep constantly alert to new developments as they affect companies and industries, and as they create entire new industries with new investment opportunities. Dr. Bush's wide experience and proven judgment will be of great help in keeping our investment policies in tune with these changing times."

In addition to his Putnam fund trusteeship, Dr. Bush is a director of the American Telephone & Telegraph Co., Merck & Co., Inc. and Metals and Controls, Inc., a trustee of Tufts College and a life member of the Corporation of Massachusetts Institute of Technology.

Mr. Putnam reported that total net assets of the fund on Feb. 29 approximated $125,000,000 compared with $105,574,000 a year ago. Sales of new shares during February were in excess of $2,000,000, a new high record for any single month since organization.

## Two I. D. S. Funds Issue Reports

Total net assets of Investors Group Canadian Fund Ltd., most recently organized of four mutual investment funds sponsored and managed by Investors Diversified Services, Inc., reached $51,639,803 (Canadian) at the close of its first fiscal year, Dec. 31, 1955, after only eight months of operation, Joseph M. Fitzsimmons, chairman of the board and president of the fund, announced in the initial annual report to the fund's 30,000 shareholders.

At the year-end, 10,211,428 shares had been issued. Net asset value of the shares Dec. 31, 1955 was $5.06 in United States dollars, compared with $4.90 in the same currency on the initial offering date, May 2, 1955. The total market value of securities held by the fund at the year-end exceeded cost by $1,267,304.

Net investment income for the eight months' period amounted to $391,611. Increased income is anticipated as temporary investments are replaced by longer term holdings.

"During this organizational period, Investors Diversified Services, Inc., waived all investment advisory fees through Dec. 31, 1955," Mr. Fitzsimmons disclosed.

"Earnings are not being paid out to shareholders since the stated policy of the fund provides that net income and any realized capital gains are not to be distributed but are to be accumulated in additional investments," he reminded shareholders.

"Funds not invested on a long-term basis have been employed temporarily in short-term securities to earn a return," he said. "Approximately 52% of the fund's assets have now been invested in Canadian common stocks and we anticipate that during the coming year the planned long-term investment position will have been reached."

Total net assets of Investors Selective Fund rose to $20,854,888 in the fiscal year ended Nov. 30, 1955, against $20,723,845 in the previous fiscal year, the fund's 7,100 shareholders were informed in the company's annual report.

Despite sharp fluctuation in prices of securities in the ten years since the fund was organized in February, 1945, it was pointed out that the net asset value of its shares has shown a high degree of stability consistent with the stated objectives of the fund.

Net asset value per share, originally $10, has never declined below $9.238 and has been as high as $11.08. At the 1955 fiscal year-end, it was $10.50 per share, the report shows.





## Personal Progress

George B. Cook of Lincoln, Neb., Executive Vice-President and trustee of Bankers Life Insurance Company of Nebraska, has been elected to the Board of Directors of Investors Diversified Services, Inc., Joseph M. Fitzsimmons, IDS President, announced. Born in Beatrice, Neb., Mr. Cook attended the University of Nebraska, got his first job with Bankers Life and over the succeeding 25 years rose to financial Vice-President of that company before attaining his present position. He is a director of the Henry Holt Publishing Company and of the Godchaux Sugar Company, and a trustee of the University of Nebraska Foundation.

The appointment of Donald M. Allen, a member of the Philadelphia Bar, to the executive staff of Delaware Fund was announced by W. Linton Nelson, President. Mr. Allen will assist in the regulatory and legal phases of mutual fund management. He will also be engaged in the profit sharing, pension plan and trust activities which are part of Delaware's dealer service program. He comes to his new post from the trust department of Fidelity-Philadelphia Trust Company. During World War II, he served as an Ensign with the United States Navy.

J. Herbert Joncas has been elected to the Board of Directors of Distributors Group, Inc. Mr. Joncas, Secretary and Treasurer of Distributors Group, celebrated his 25th anniversary with the firm on Jan. 30 of this year.

President Jonathan B. Lovelace announces that Joseph F. Gallegos has joined the staff of Capital Research and Management Company. Mr. Gallegos was associated with Lester, Ryons & Co. of Los Angeles and predecessor companies for more than 25 years and prior there to with Jones, Hubbard & Donnell, of Los Angeles.

Directors of American Mutual Fund, Inc., have elected Albert P. Drasdo as Assistant Treasurer and Ned M. Bailey as Assistant Secretary of the company. Mr. Drasdo is also Executive Vice-President of Capital Research Company and Treasurer of Pacific-American Investors, Inc. Mr. Bailey is Assistant Secretary of The Investment Company of America and Assistant Secretary-Treasurer of International Resources Fund, Inc.

At its annual meeting of stockholders, Charles J. Nemanick and Donald M. O'Neill were added to the Board of Directors of Associated Fund, Inc. Mr. Nemanick, Vice-President, has served as an officer of the company in sales development activities since 1952. Mr. O'Neill is the son of the late Harry J. O'Neill, who served as President of the company from 1939 through 1953. The number of Directors on the Board of Associated Fund Inc. was increased to nine last December.

Frank G. McCormick, former athletic director of the University of Minnesota and longtime member of the U. S. Olympic Committee, has become associated with Investors Diversified Services, Inc. as a zone manager in the Los Angeles division of the company's sales organization, Grady Clark, IDS Vice-President-sales, announced today.

John R. Chapin, Jr. has been appointed a Director and Vice-President of Value Line Fund Distributors, Inc., it was announced today by Gavin H. Watson, President. Mr. Chapin for the last two years has been a Vice-President and Director of Draper Associates, Inc., financial public relations consultants, and previously was associated with Kidder, Peabody & Co., New York. He will be directly responsible for the general distribution to investment dealers of shares of the Value Line Fund and the Value Line Income Fund, managed and sponsored by Arnold Bernhard & Co., Inc.

Anthony G. Zulfer, Jr., has been elected an Assistant Secretary of The Stein Roe & Farnham Fund Incorporated, it was announced by Harry H. Hagey, Jr., President. Mr. Zulfer has been an account executive with Stein Roe & Farnham, investment advisers to the fund, since November, 1953.

Medley G. B. Whelpley and Vincent Cullen have been elected directors of Knickerbocker Shares, Inc., distributors of The Knickerbocker Fund. Mr. Whelpley is a trustee of American Surety Co. of New York, and a director of Kennecott Copper and U. S. Rubber Co. Mr. Cullen, President of The Treaty Management Corp., is a trustee of East Brooklyn Savings Bank and a director of the Insurance Society of New York, Inc. William D. Pettit, a director of Knickerbocker Shares, Inc. has been advanced to the post of Executive Vice-President.

Edward A. Steele, Jr., has been appointed as Administrative Assistant to the President, W. Linton Nelson, President of Delaware Fund, Inc., announces.

Steele comes to Delaware Fund from The Curtis Publishing Company, where he was engaged in advertising research for "The Saturday Evening Post." A Navy veteran of World War II, Steele attained the rank of Lieutenant-Commander. He was awarded special commendation in connection with landing operations in Sicily and France.

**INCORPORATED INCOME FUND:** Growth of total net assets from $15,387,000 to $32,309,891 in the year ending Jan. 31 is shown in the just issued quarterly report of the fund. Shares outstanding increased in the same period from 1,850,000 to 3,596,075. The total net assets of the two investment funds, Incorporated Income Fund and Incorporated Investors, both under the same management, are now well over a quarter of a billion dollars.

*Continued from page 47*

# The State of Trade and Industry

season. Strength was attributed mostly to active buying of oil at steadily advancing prices. Wheat was in good demand most of the week with buying influenced by the possibility that high and rigid price supports will be restored and the likelihood of stepped-up exports as a result of reported crop damage in Europe. High winds and dust storms in the Southwest over the week-end also encouraged some buying. Corn and oats were under pressure and most of the recent gains were dissipated. Firmness in rye reflected advances at Winnipeg and a further decline in the visible supply. Daily average sales of grain and soybean futures the past week rose to 62,400,000 bushels, from 33,600,000 the week before and 60,100,000 a year ago.

Business in the domestic flour market continued quiet with activity centered in widely scattered bookings for immediate and nearby in practically all types of flour. Limited expansion was noted in rye flour bookings on mill protection against advances early in the week. Export inquiries were small with European buying at a near stand-still.

**The green coffee market continued firm, reflecting further advances of 2 to 4 cents a pound by leading chains, following the advances of 4 cents a pound by leading national distributors to $1 a pound wholesale last week.**

Trading in cocoa was more active a week ago with prices slightly firmer. Warehouse stocks of cocoa continued to climb and totalled 320,488 bags, as compared with 313,840 the previous week, and 126,133 at this time a year ago. Hog prices advanced to the highest level in two weeks at the close as receipts dwindled following a heavy run earlier in the period. Lambs were stronger and reached the best prices of the month at the week-end.

Spot cotton prices finished slightly higher during the week, continuing the steady uptrend of the past month.

**Strengthening factors included mill buying and short covering influenced by the dwindling supply of "free" or available cotton.**

Reported sales in the 14 spot markets last week totalled 230,800 bales, compared with 318,100 in the preceding week, and 137,100 in the corresponding week a year ago. Domestic mill consumption of cotton in the four-week January period totalled 747,000 bales, according to the Bureau of the Census. This was equal to a daily average rate of 37,400 bales, against 34,200 bales in December and 35,800 in January last year.

### Trade Volume Rose Slightly the Past Week and Was Moderately Above Like Period a Year Ago

There was a slight rise in retail trade in the period ended on Wednesday of last week and the total dollar volume was moderately above the level of the same week last year. Consumer purchases of Spring merchandise expanded noticeably, while volume in men's and women's Winter apparel was moderately reduced.

**Automobile dealers reported a slight rise in the buying of new and used cars.**

The total dollar volume of retail trade in the week was 2 to 6% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1955 levels by the following percentages: New England 0 to +4; East +1 to +5; South and Middle West +3 to +7; Northwest +2 to +6; Southwest +4 to +8 and Pacific Coast —1 to +3%.

Volume in women's Spring coats, suits and millinery expanded considerably last week; interest in Winter wear declined moderately. Although the dollar volume in men's apparel declined somewhat the past week, an upsurge in the buying of lightweight suits occurred. Sales in men's Winter suits and coats were noticeably below the level of the previous week.

Purchases of furniture were high and steady last week, and volume slightly exceeded that of the comparable period a year ago.

**Appliance dealers reported gains in television sets, lamps and refrigerators.**

Housewives increased their buying of fresh vegetables, fish and baked goods last week. Volume in eggs, butter and cheese expanded slightly, while purchases of fresh meat fell below the level of the previous week. The buying of canned goods, frozen foods and dried fruit was high and steady.

The dollar volume of wholesale orders expanded somewhat a week ago, and the level moderately exceeded that of the similar 1955 week. There was a noticeable rise in re-orders for Spring apparel with bookings in some textile lines showing a moderate decline.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Feb. 25, 1956, increased 4% above those of the like period of last year. In the preceding week, Feb. 18, 1956, an increase of 6% was reported. For the four weeks ended Feb. 25, 1956, an increase of 5% was recorded. For the period Jan. 1, 1956 to Feb. 25, 1956 a gain of 2% was registered above that of 1955.

**Retail trade volume in New York City last week advanced notwithstanding the unsettled weather. According to trade observers, the gain approximated 4% above the level of the corresponding period last year.**

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Feb. 25, 1956, increased 2% above those of the like period last year. In the preceding week, Feb. 18, 1956, an increase of 3% was recorded. For the four weeks ending Feb. 25, 1956, an increase of 3% was registered. For the period Jan. 1, 1956 to Feb. 25, 1956 the index recorded a rise of 2% above that of the corresponding period in 1955.

# Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

**Abundant Uranium, Inc., Grand Junction, Colo.**
Feb. 23 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—319 Uranium Center, Grand Junction, Colo. **Underwriter**—Ralph M. Davis & Co., Grand Junction, Colo.

★ **Aero-Fab Corp., Philadelphia, Pa.**
March 1 (letter of notification) $300,000 of convertible debentures due June 30, 1966. **Proceeds**—For working capital. **Office** — 1826 East Somerset St., Philadelphia, Pa. **Underwriter**—None.

★ **Aero Supply Manufacturing Co., Inc., Corry, Pa. (3/12-16)**
Feb. 23 (letter of notification) 8,260 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—A. G. Becker & Co. Inc., New York.

**Aircraft Danger Light Corp.**
Feb. 17 (letter of notification) 10,000 shares of common stock (par $1). **Price** — $11 per share. **Proceeds**—For production and development of various models of the Atkins Light. **Office** — 1755 Rand Tower, Minneapolis, Minn. **Underwriter**—Craig-Hallum, Inc., Minneapolis, Minn.

**Alabama Power Co. (3/15)**
Feb. 17 filed $14,000,000 of first mortgage bonds due March 1, 1986. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Lehman Brothers; Equitable Securities Corp., Union Securities Corp. and Drexel & Co. (jointly); The First Boston Corp.; Morgan Stanley & Co.; Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on March 15 at office of Southern Services, Inc., Room 1600, 250 Park Ave., New York 17, N. Y.

● **American Alloys Corp., Kansas City, Mo. (3/15)**
Feb. 24 filed 130,000 shares of 6% cumulative convertible preferred stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To retire bank and mortgage indebtedness of $142,000; to construct additional furnace facilities; and for working capital and general corporate purposes. **Underwriter**—S. D. Fuller & Co., New York.

**American Frontier Corp., Memphis, Tenn.**
Feb. 15 filed 175,000 shares of class A common stock (par $1). **Price** — $10 per share. **Proceeds** — Together with other funds, to purchase 1,000,000 shares of common stock (par $1) of American Frontier Life Insurance Co. **Underwriter**—None.

**American Insurors' Development Co.**
Feb. 10 filed 400,000 shares of common stock (par $1). **Price** — $2.50 per share. **Proceeds** — To expand service business. **Office** — Birmingham, Ala. **Underwriter** — Odess, Martin & Herzberg, Inc., Birmingham, Ala.

**Arizona Public Finance Co., Phoenix, Ariz.**
Sept. 16 filed 78,006,081 shares of common stock to be offered for subscription by holders of life insurance policies issued by Public Life Insurance Co. **Price**—20 cents per share. **Proceeds**—For working capital. **Underwriter**—None, sales to be directly by the company or by salesman of the insurance firm.

★ **Associated Drugs, Inc., Bemidji, Minn.**
Feb. 28 (letter of notification) $150,000 of 6% sinking fund debentures, due Feb. 1, 1966. **Price**—At par (in denominations of $1,000 each), plus accrued interest. **Proceeds**—To be used to modernize a store and for general corporate purposes. **Underwriter**—W. R. Olson Co., Fergus Falls, Minn.

★ **Atlas Corp.**
Feb. 28 filed 9,890,095 shares of common stock (par $1) to be issued pursuant to an agreement of merger with this corporation of Airfleets, Inc., Albuquerque Associated Oil Co., RKO Pictures Corp., San Diego Corp. and Wasatch Corp. on the following basis: Four shares for one of Atlas common; 2.4 shares for one share of Airfleets common; one share for each share of Albuquerque common; four shares for each 5.25 shares of RKO common; 2.4 shares for each share of San Diego common; 13 shares for each share of Wasatch cumulative preferred; and 1.3 shares for each share of Wasatch common. The registration statement also covers 1,250,000 shares of 5% cumulative preferred stock (par $20) which will become issuable upon and to the extent that shares of common stock are convertible into shares of preferred stock.



**Atlas Investment Co., Las Vegas, Nev.**
Jan. 9 filed 20,800 shares of class B common voting stock, of which 12,000 shares are to be offered for public sale at $50 per share and 8,800 shares are to be offered in exchange for preferred stock. **Proceeds**—For payment of bank loans, and for capital and surplus. **Underwriters**—Rex Laub and Max Laub, of Tremonton, Utah, and M. D. Close Mortgage & Loan Co. and Jack Hemingway Investment Co., of Las Vegas, Nev.

**Atomic, Electronic & Chemical Fund, Inc. (3/19-23)**
Feb. 17 filed 400,000 shares of capital stock (par $1). **Price**—To be supplied by amendment (expected at $10 per share). **Proceeds** — For investment. **Office**—Englewood, N. J. **Underwriter** — Lee Higginson Corp., New York.

**B. S. F. Co., Birdsboro, Pa.**
Dec. 30 filed 92,636 shares of capital stock (par $1) to be offered for subscription by stockholders of record Jan. 20, 1956, at the rate of one new share for each two shares held. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Business**—A registered investment company. **Underwriter**—None.

**Big Ridge Uranium Corp., Reno, Nev.**
Oct. 19 (letter of notification) 9,000,000 shares of common stock (par one cent). **Price** — Three cents per share. **Proceeds**—For exploration and development costs. **Office**—206 North Virginia St., Reno, Nev. **Underwriter**—Mid America Securities, Inc., Salt Lake City, Utah.

**Big Ute Uranium Corp., Overton, Nev.**
Oct. 28 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Underwriter**—James E. Reed Co., Inc., Reno, Nev.

**Blue Lizard Mines, Inc.**
Jan. 17 filed $900,000 of 8% convertible subordinated debentures due 1976. **Price**—100% of principal amount. **Proceeds**—To make additional cash payment on purchase contracted and for mining expenses. **Office**—Salt Lake City, Utah. **Underwriter**—None.

**Bonus Uranium, Inc., Denver, Colo.**
Oct. 28 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—1154 Bannock St., Denver, Colo. **Underwriter** — Mid-America Securities, Inc., Salt Lake City, Utah.

**B-Thrifty, Inc., Miami, Fla.**
Nov. 23 filed 37,000 shares of class A common stock (par $25). **Price**—$38 per share. **Proceeds**—To open additional retail stores. **Business** — Supermarket concern. **Office**—5301 Northwest 37th Ave., Miami, Fla. **Underwriter**—None.

**Budd Co., Philadelphia, Pa. (3/13)**
Feb. 20 filed 395,096 shares of common stock (par $5) to be offered for subscription by common stockholders of record as of March 12, 1956 in the ratio of one new share for each 10 shares held; rights to subscribe on March 27. **Price** — To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Blyth & Co., Inc., New York.

★ **Bullock Fund, Ltd., New York**
Feb. 28 filed 300,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

● **Canadian Delhi Petroleum Ltd. (3/20)**
Feb. 28 filed 698,585 shares of capital stock (par 10 cents) to be offered for subscription by stockholders of record March 5, 1956, at the rate of one new share for each five shares held (with an oversubscription privilege; rights to expire about April 4. **Price**—To be supplied by amendment. **Proceeds**—For advances to Canadian Delhi Oil Ltd., a wholly-owned subsidiary, who will use the funds to repay bank loans of $1,350,000, and for general corporate purposes. **Underwriters**—Lehman Brothers and Allen & Co., both of New York.

**Carolina Telephone & Telegraph Co.**
Feb. 1 filed 66,640 shares of common stock (par $100) being offered for subscription by common stockholders of record Feb. 14, 1956 in the ratio of two new shares for each five shares held; rights to expire on March 23. Southern Bell Telephone & Telegraph Co., owner of 31.67% of the outstanding stock, sold its 52,762 rights (36,162 at competitive bidding to R. S. Dickson & Co. who offered the 14,464 shares represented thereby to the public on Feb. 23, at $145 per share; and 16,600 rights were placed privately). **Price**—$125 per share to stockholders. **Proceeds**—To reduce bank loans. **Underwriter**—None.

**Century Acceptance Corp.**
Nov. 7 filed $750,000 of participating junior subordinated sinking fund 6% debentures due Nov. 1, 1970 (with detachable common stock purchase warrants for a total of 22,500 shares of common stock, par $1 per share). **Price**—At 100% (in units of $500 each). **Proceeds**—For working capital, etc. **Underwriter**—Paul C. Kimball & Co., Chicago, Ill. **Offering**—Temporarily postponed.

● **Colohoma Uranium, Inc.**
Nov. 9 filed 2,500,000 shares of common stock (par one cent). **Price**—40 cents per share. **Proceeds**—For exploration and development expenses and for general corporate purposes. **Office**—Montrose, Colo. **Underwriters**—General Investing Corp., New York; and Shaiman & Co., Denver, Colo. **Offering**—Date indefinite.

★ **Compo Shoe Machinery Corp.**
Feb. 29 filed voting trust certificates representing 16,160 shares of common stock (par $1) to be issued against the deposit of an equivalent number of common shares, as follows: (1) 6,680, the maximum number of shares which may be issued in payment of a 2% stock dividend payable March 15, 1956, to stockholders of record March 1, 1956; (2) 6,814, the maximum number of shares which may be issued in payment of a 2% stock dividend payable June 15, 1956, to stockholders of record June 1, 1956, and (3) 2,666 additional shares which may be issued upon exercise of preferred stock conversion privileges.

**Cooperative Grange League Federation Exchange, Inc.**
Feb. 15 filed $2,000,000 of 4% subordinated debentures; 7,500 shares of 4% cumulative preferred stock (par $100) and 100,000 shares of common stock. **Price**—Of debentures, 100% of principal amount; of preferred, $100 per share; and of common, $5 per share. **Proceeds**—To finance construction of a new petroleum terminal at Albany, N. Y., estimated to most $465,000, and to provide funds to cover redemptions of outstanding common stock, estimated at not more than $400,000; to repurchase outstanding shares of preferred stock and to provide funds to be advanced to a subsidiary for similar repurchase of its preferred stock, and for working capital. **Office**—Ithaca, N. Y. **Underwriter**—None.

**Copper Corp., Phoenix, Ariz.**
Jan. 27 (letter of notification) 1,200,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For expenses incident to mining operations. **Address**—P. O. Box 175, Phoenix, Ariz. **Underwriter**—Keim & Co., Denver, Colo.

**Couture National Car Rental System, Inc.**
Jan. 30 (letter of notification) $300,000 of 6% convertible subordinated debentures due Feb. 1, 1971. **Price** — At par. **Proceeds**—To finance vehicle purchases. **Office**—825 Fifth Ave., Miami Beach, Fla. **Underwriter**—Atwill & Co., Inc., same city.

**Crown City Plating Co., Pasadena, Calif.**
Feb. 3 (letter of notification) 14,999 shares of common stock (par $10) of which 2,499 shares are to be offered to officers and employees. **Price**—$20 per share. **Proceeds**—For working capital and other corporate purposes. **Office**—165 South Fair Oakes Ave., Pasadena, Calif. **Underwriter**—Pasadena Corp., Pasadena, Calif.

● **Crucible Steel Co. of America**
Feb. 16 filed 164,117 shares of common stock (par $25) being offered for subscription by common stockholders of record March 7, 1956, at the rate of one new share for each 10 shares held; rights to expire on March 21, 1956. **Price**—$40 per share. **Proceeds**—For modernization and expansion program and general corporate purposes. **Underwriter**—The First Boston Corp., New York.

● **Cuba (Republic of) (3/12-16)**
Nov. 21 filed $2,000,000 of 4% Veterans, Courts and Public Works bonds due 1983. **Price**—To be supplied by amendment. **Proceeds** — To Romenpower Electra Construction Co. **Underwriter**—Allen & Co., New York.

★ **Czechoslovak Press, Inc.**
Feb. 28 (letter of notification) 4,000 shares of 4% noncumulative preferred stock (pr $10) and 197 shares of common stock (no par). **Price**—For preferred, $10 per share; and for common, $1 per share. **Proceeds**—$13,500 for common stock of C S Publishing Co., Inc.; and for general corporate purposes. **Office**—435 East 86th St., New York, N. Y. **Underwriter**—None.

**DeKalb-Ogle Telephone Co., Sycamore, Ill.**
Dec. 30 (letter of notification) 25,695 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—To be used for conversion to automatic dial operation. **Office**—112 West Elm Street, Sycamore, Ill. **Underwriter**—None.

**Dennis Run Corp., Oil City, Pa.**
Nov. 28 (letter of notification) 46,000 shares of common stock (par $1). **Price**—$6.50 per share. **Proceeds**—To pay bank loans and debts; and for working capital. **Office**—40 National Transit Bldg., Oil City, Pa. **Underwriter**—Grover O'Neill & Co., New York.

★ **Diversified Investment Fund, Inc.**
March 1 filed (by amendment) 1,000,000 additional shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Office**—Elizabeth, N. J.

**Doctors Oil Corp., Carrollton, Tex.**
Feb. 23 filed 500,000 shares of common stock (par 10 cents). **Price** — $1 per share. **Proceeds** — For working capital, to be devoted mainly to acquiring, exploring, developing and operating oil and gas properties; and to pay off $13,590.80 liabilities. **Underwriter** — James C. McKeever & Associates, Oklahoma City, Okla.

★ **Duquesne Light Co. (4/4)**
March 1 filed $20,000,000 of first mortgage bonds due April 1, 1986. **Proceeds** — For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kuhn, Loeb & Co., Union Securities Corp. and A. C. Allyn & Co., Inc. (jointly); Drexel & Co. and Equitable Securities Corp. (jointly); Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; The First Boston Corp. **Bids**—Expected to be received up to 11 a.m. (EST) on April 4 at Room 1540, 15 Broad St., New York, N. Y.

**● Duro-Test Corp., North Bergen, N. J.**
Feb. 8 filed 42,758 shares of cumulative preferred stock, series of 1956 ($25 par-convertible on or prior to March 15, 1966) being offered for subscription by common stockholders of record March 5, 1956, at the rate of one preferred share for each six common shares held; rights to expire on March 20. **Price** — $25 per share. **Proceeds** —For expansion of plant and equipment and of distributing and research facilities; and for working capital. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C.

**Eagle Fire Insurance Co.**
Feb. 1 (letter of notification) 72,165 shares of common stock (par $1.25) to be offered for subscription by stockholders on the basis of one share for each five shares held; rights to be exercisable over a 45-day period. **Price** — $3.60 per share. **Proceeds** — For working capital. **Office**—26 Journal Square, Jersey City 6, N. J. **Underwriter**—None.

**★ Eaton & Howard Stock Fund, Boston, Mass.**
March 5 filed (by amendment) 1,000,000 trust shares (par $1). **Price**—At market. **Proceeds**—For investment.

**● Empire Petroleum Co., Denver, Colo.**
Jan. 18 filed $2,000,000 of series "C" 6% convertible debentures due 1970 and 1,000,000 shares of common stock (par $1), of which $1,500,000 principal amount of debentures are to be offered publicly; the remaining $500,000 of debentures and the stock to be reserved for sale by the company to associates of the officers of the company and to the company's present security holders. It is not the intention of the company to sell any of the common stock at this time. **Price**—For debentures, at par (in denominations of $1,000 each) and for stock $2 per share. **Proceeds**—To retire royalty units and debentures; for capital expenditures; and for working capital. **Underwriter**—For $1,500,000 of the debentures—H. Carl Aiken Investments, Denver, Colo. Statement withdrawn Feb. 17.

**★ Family Finance Corp. (3/21)**
Feb. 29 filed 100,430 shares of common stock (par $1) to be offered for subscription by common stockholders of record March 20 on the basis of one new share for each 20 shares held; rights to expire on or about April 4. **Price**—To be supplied by amendment (not less than $15 nor more than $18 per share). **Proceeds**—For working capital. **Underwriter**—Goldman, Sachs & Co., New York.

**● First Bank Stock Corp., Minneapolis, Minn.**
Feb. 6 filed 221,500 shares of capital stock (par $10) being offered in exchange for the capital stock of the following banks (except the preferred stock of Duluth National Bank) at the following ratios of exchange: (a) 1½ shares for each of the 75,000 shares of capital stock (par $20) of Northern Minnesota National Bank of Duluth (Minn.); (b) 1.2 shares for each of the 25,000 shares of capital stock (par $10) of Batavian National Bank of LaCrosse (Wis.); (c) nine shares for each of the 3,000 shares of capital stock (par $100) of First National Bank of Virginia (Minn.); (d) eight shares for each of the 3,000 shares of capital stock (par $100) of The First National Bank of Hibbing (Minn.); (e) 3.5 shares for each of the 4,000 shares of common stock (par $50) of Duluth National Bank which will be outstanding after a 100% common stock dividend has been distributed; and (f) 13 shares for each of the 1,000 shares of capital stock (par $100) of Worthington National Bank, Worthington, Minn. The exchange period under each of the proposals will expire on March 9. Statement effective on Feb. 27.

**★ First Lewis Corp.**
March 1 (letter of notification) 60,000 shares of 7% preferred stock. **Price**—At par ($5 per share). **Proceeds**—For working capital and general corporate purposes. **Business** — General brokerage business. **Office** — 165 Broadway, New York, N. Y. **Underwriter**—Basic Industries Corp., 31 State St., Boston, Mass.

**★ Florida Power & Light Co. (4/3)**
March 2 filed $15,000,000 of first mortgage bonds due 1986. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc., and Lehman Brothers (jointly); White, Weld & Co.; The First Boston Corp. **Bids**—Expected to be received up to 11:30 a.m. (EST) on April 3.

**Fort Pitt Packaging International, Inc.**
June 30 filed 300,000 shares of common stock (par 10¢), of which 250,000 shares of for account of company and 50,000 shares of five selling stockholders. **Price**—$3 per share. **Proceeds**—For working capital; for exploitation of "Totosave" system; and for marketing of "Tropic-Ray" infra-red space heater. **Office** — Pittsburgh, Pa. **Underwriter**—Barrett Herrick & Co., Inc., New York.

**Frontier Assurance Co., Phoenix, Ariz.**
Dec. 2 (letter of notification) 2,000 shares of class B voting common stock (par $25), being offered for subscription by holders of class A common stock on a 2-for-1 basis from Jan. 15 to April 1, 1956. **Price**—$36.50 per share. **Proceeds**—For capital and surplus. **Office**—4143 N. 19th Ave., Phoenix, Ariz. **Underwriter**—None.

**Gas Hills Mining and Oil, Inc.**
Jan. 4 (letter of notification) 1,200,000 shares of common stock (par five cents). **Price** — 25 cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—Kemmerer, Wyo. **Underwriter**—Philip Gordon & Co., Inc., New York 6, N. Y.

**General Uranium Corp. (N. J.), New York**
Jan. 18 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For plant facilities, survey of property and underground development. **Underwriter**—None. Maurice Schack, Middletown, N. Y., is President.

**★ Georgia Power Co. (3/29)**
March 2 filed $12,000,000 of first mortgage bonds due April 1, 1986. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Shields & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc.; Lehman Brothers; Blyth Co., Inc. and Kidder, Peabody & Co. (jointly); Union Securities Corp. and Equitable Securities Corp. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on March 29 at office of Southern Services, Inc., Room 1600, 250 Park Ave., New York 17, N. Y.

**Golden Dawn Uranium Corp., Buena Vista, Colo.**
Dec. 27 (letter of notification) 3,000,000 shares of capital stock (par five cents). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Underwriter** — Bel-Air Securities Co., Provo, Utah.

**Good Luck Glove Co., Carbondale, Ill.**
Jan. 30 filed $550,000 of 6% 10-year convertible subordinated debentures due April 1, 1966. **Price**—100% of principal amount. **Proceeds**—To repurchase stock of company held by C. T. Houghten. **Underwriter**—Edward D. Jones & Co., St. Louis, Mo.

**Grammes (L. F.) & Sons, Inc., Allentown, Pa.**
Jan. 27 (letter of notification) 1,279 shares of common stock (no par) to be offered to present stockholders and employees. **Price**—$22 per share. **Proceeds**—To increase working capital. **Office** — Jordan & Union Sts., Allentown, Pa. **Underwriter**—None.

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# NEW ISSUE CALENDAR

**March 9 (Friday)**

Nevada Natural Gas Pipe Line Co.__ **Debs. & Com.**
(First California Co.) $2,020,000

**March 12 (Monday)**

Aero Supply Manufacturing Co., Inc.____**Common**
(A. G. Becker & Co. Inc.) 8,260 shares

Cuba (Republic of)________________________**Bonds**
(Allen & Co.) $2,000,000

Grolier Society, Inc.____________________**Common**
(Dominick & Dominick; George D. B Bonbright & Co.; Ball, Burge & Kraus; and Foster & Marshall) $300.000

Manufacturers & Traders Trust Co.______**Common**
(Offering to stockholders—to be underwritten by The First Boston Corp.) 340,000 shares

Thompson (H. I.) Fiber Glass Co.________**Common**
(Shearson, Hammill & Co; Paine, Webber, Jackson & Curtis; and First California Co.) 16,000 shares

**March 13 (Tuesday)**

Budd Co. ______________________________**Common**
(Offering to stockholders—to be underwritten by Blyth & Co., Inc.) 395,096 shares

Higbie Manufacturing Co.________________**Common**
(Shearson, Hammill & Co.) 60,000 shares

Murdock Acceptance Corp.________________**Common**
(Equitable Securities Corp. and Bullington-Schas & Co.) 50,000 shares

Pennsylvania RR. ____________**Equip. Trust Ctfs.**
(Bids noon EST) $7,560,000

**March 14 (Wednesday)**

Laclede Gas Co.________________________**Preferred**
(Offering to stockholders—bids 11 a.m. EST) 202,657 shares

Missouri Pacific RR.______________________**Notes**
(Bids to be invited) about $23,000,000

**March 15 (Thursday)**

Alabama Power Co._________________________**Bonds**
(Bids 11 a.m. EST) $14,000,000

American Alloys Corp.__________________**Preferred**
(S. D. Fuller & Co.) $650,00)

Parker Petroleum Co., Inc.__**Preferred & Common**
(D. A. Lomasney & Co.) $1,500,000 preferred and 150,000 shares of common stock

Rokeach (I.) & Sons, Inc._______________**Common**
(Jay W. Kaufmann & Co.) 400,000 shares

Winn-Dixie Stores, Inc.______________**Debentures**
(Merrill Lynch, Pierce, Fenner & Beane) $20,000,000

**March 19 (Monday)**

Atomic, Electronic & Chemical Fund, Inc.___**Com.**
(Lee Higginson Corp.) 400,000 shares

Westcoast Transmission Co., Ltd.___**Debs. & Com.**
(Eastman, Dillon & Co.) $20,500,000 debetnures and 615.000 shares of stock

Western Greyhound Racing, Inc.__________**Common**
(M. J. Reiter Co.) $2,250,000

**March 20 (Tuesday)**

Canadian Delhi Petroleum, Ltd.___________**Common**
(Offering to stockholders—to be underwritten by Lehman Brothers and Allen & Co.) 698,585 shares

Louisiana Power & Light Co.____________**Preferred**
(Bids 11:30 a.m. EST) $7,000,000

Narragansett Electric Co._________________**Bonds**
(Bids 11 a.m. EST) $10,000,000

Pacific Gas & Electric Co.________________**Bonds**
(Bids to be invited) $25,000,000

Whirlpool-Seeger Corp. _______________**Debentures**
(Goldman, Sachs & Co. and Fulton, Reid & Co.) $30,000,000

Whirlpool-Seeger Corp. __________________**Common**
(Goldman, Sachs & Co. and Fulton, Reid & Co.) 150,000 shares

**March 21 (Wednesday)**

Family Finance Corp.____________________**Common**
(Offering to stockholders—to be underwritten by Goldman, Sachs & Co.) 100,430 shares

Scott Paper Co.______________________**Debentures**
(Offering to stockholders—to be underwritten by Drexel & Co.; Smith, Barney & Co.; and Merrill Lynch, Pierce, Fenner & Beane) $98,685,100

Spokane Natural Gas Co.________**Notes & Common**
(White, Weld & Co.) $3,505,000 notes and 70,100 shares of stock

Tide Water Associated Oil Co.________**Debentures**
(Eastman, Dillon & Co.; Kuhn, Loeb & Co.; and Lehman Brothers) $100,000,000

**March 22 (Thursday)**

Peninsular Telephone Co.________________**Common**
(Offering to stockholders—to be underwritten by Morgan Stanley & Co. and Coggeshall & Hicks) 189,844 shares

Rotary Electric Steel Co.________________**Common**
(Offering to stockholders—to be underwritten by W. E. Hutton & Co.) 69,670 shares

**March 27 (Tuesday)**

National Finance Co., Inc.______________**Preferred**
(Baker, Simonds & Co.) $550,000

New York Telephone Co.___________________**Bonds**
(Bids to be invited) $55,000,000

**March 29 (Thursday)**

Georgia Power Co.________________________**Bonds**
(Bids 11 a.m. EST) $12,000,000

**April 3 (Tuesday)**

Columbus & Southern Ohio Electric Co.____**Bonds**
(Bids 11 a.m. EST) $12,000,000

Florida Power & Light Co._________________**Bonds**
(Bids 11:30 a.m. EST) $15,000,000

**April 4 (Wednesday)**

Caterpillar Tractor Co.__________________**Common**
(Blyth & Co., Inc.) 500,000 shares

Central Illinois Light Co.________________**Common**
(Offering to stockholders—to be underwritten by Union Securities Corp.) approx. $5,000,000

Duquesne Light Co.________________________**Bonds**
(Bids 11 a.m. EST) $20,000,000

**April 5 (Thursday)**

El Paso Electric Co.______________________**Common**
(Offering to stockholders—Dealer Manager may be Stone & Webster Securities Corp.) 56,025 shares

**April 10 (Tuesday)**

Columbia Gas System, Inc.____________**Debentures**
(Bids to be invited) $40,000,000

Kansas City Power & Light Co.__________**Preferred**
(Blyth & Co., Inc. and The First Boston Corp.) $12,000,000

**April 17 (Tuesday)**

Pennsylvania Electric Co.________________**Bonds**
(Bids to be invited) $25,000,000

Pennsylvania Electric Co.______________**Preferred**
(Bids to be invited) $9,000,000

Southern California Edison Co.____________**Bonds**
(Bids to be invited) $40,000,000

**April 18 (Wednesday)**

New England Electric System_____________**Common**
(Offering to stockholders—Bids to be invited) 834,976 shares

**April 19 (Thursday)**

Portland Gas & Coke Co.___________________**Bonds**
(Bids to be invited) $16,500,000

**April 20 (Friday)**

General Telephone Corp._______________**Debentures**
(Offering to stockholders—to be underwritten by Paine, Webber, Jackson & Curtis) $55,000,000

**April 24 (Tuesday)**

Anderson-Prichard Oil Corp._____________**Preferred**
(Glore, Forgan & Co.) $10,000,000

**April 26 (Thursday)**

Long Island Lighting Co._______________**Preferred**
(Blyth & Co., Inc.; The First Boston Corp.; and W. C. Langley & Co.) $12,000,000

**May 7 (Monday)**

Duke Power Co.___________________________**Bonds**
(Bids to be invited) $30,000,000

**May 8 (Tuesday)**

El Paso Electric Co.____________________**Preferred**
(Bids to be invited) $2,000,000

**May 10 (Thursday)**

Duke Power Co.__________________________**Common**
(Offering to stockholders—no underwriter) 367,478 shares

**May 23 (Wednesday)**

Southern California Gas Co.______________**Bonds**
(Bids to be invited) $40,000,000

**July 11 (Wednesday)**

Florida Power Corp.______________________**Bonds**
(Bids to be invited) $20,000,000

**September 25 (Tuesday)**

Virginia Electric & Power Co._____________**Bonds**
(Bids to be invited) $20,000,000

**October 1 (Monday)**

Tampa Electric Co.________________________**Bonds**
(Bids to be invited) $10,000,000

**October 2 (Tuesday)**

Columbia Gas System, Inc.____________**Debentures**
(Bids to be invited) $30,000,000

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**● Grolier Society, Inc. (3/12-15)**
Feb. 23 (letter of notification) 12,000 shares of common stock (par $1), of which 8,000 shares are for account of company and 4,000 shares for selling stockholders. **Price**—$25 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriters** — Dominick & Dominick, New York; George D. B. Bonbright & Co., Rochester, N. Y.; Ball, Burge & Kraus, Cleveland, O.; and Foster & Marshall, Seattle, Wash.

**Guaranty Income Life Insurance Co.**
Dec. 30 (letter of notification) 24,000 shares of capital stock (par $5) to be offered first to stockholders; then policyholders and the public. **Price**—$10 per share. **Proceeds**—For working capital. **Address**—P. O. Box 2231, Baton Rouge, La. **Underwriter**—None.

**● Gulf Natural Gas Corp., New Orleans, La.**
Dec. 30 filed $600,000 of 10-year 5% debentures due Jan. 1, 1966. **Price**—100% of principal amount. **Proceeds** — For construction costs. **Underwriter** — None. Statement withdrawn Feb. 14.

**● Gulf Oil Corp., Pittsburgh, Pa.**
Jan. 10 filed 1,534,446 shares of capital stock (par $25) being offered in exchange for shares of common stock of Warren Petroleum Corp. in the ratio of four shares of Gulf for each five shares of Warren, except as to 298,684 previously committed shares which are being exchanged on the basis of 18 shares of Gulf for each 25 shares of Warren. The exchange was declared effective as of March 1, 1956, more than 83% of outstanding Warren shares having been tendered. Other Warren holders have until Aug. 1, 1956 to avail themselves of the offer. The Mellon National Bank & Trust Co., Pittsburgh, Pa., is exchange agent.

**Hammermill Paper Co., Erie, Pa.**
Dec. 20 filed 166,400 shares of common stock (par $2.50) being offered in exchange for shares of capital stock of Watervliet Paper Co. in the ratio of 26 shares of Hammermill common stock for each 25 shares of Watervliet stock. More than the required 128,000 shares (80% of outstanding Watervliet stock) have been deposited for exchange. The offer has been extended until March 19. **Underwriter**—None. Statement effective Jan. 10.

**Hard Rock Mining Co., Pittsburgh, Pa.**
Feb. 20 (letter of notification) 1,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—To purchase machinery and equipment and for working capital. **Office** — 377 McKee Place, Pittsburgh, Pa. **Underwriter**—Graham & Co., Pittsburgh, Pa.

**Hawaiian Telephone Co., Honolulu, Hawaii**
Feb. 27 filed 275,000 shares of common stock (par $10) to be offered for subscription by common stockholders of record March 1, 1956, at the rate of one new share for each five shares held. **Price** — To be supplied by amendment. **Proceeds**—For payment of bank loans and construction program. **Underwriter**—None.

**Helio Aircraft Corp., Canton, Mass.**
Dec. 29 filed 150,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For improvements, research, development and working capital. **Office**—Metropolitan Airport, Canton (Norwood P. O.), Mass. **Underwriter**—To be supplied by amendment.

**★ Helser Fund, Inc., San Francisco, Calif.**
Feb. 29 filed 90,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

**Higbie Manufacturing Co. (3/13)**
Feb. 16 filed 60,000 shares of common stock (par $1), of which 30,000 are to be sold for account of the company and 30,000 shares for account of a selling stockholder. **Price**—To be supplied by amendment. **Proceeds**—For plant expansion and machinery and equipment. **Business** Manufactures and sells steel tubing and fishing reels. **Office**—Rochester, Mich. **Underwriter**—Shearson, Hammill & Co., New York.

**Hometrust Corp., Inc., Montgomery, Ala.**
Jan. 5 filed 125,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds** — To expand operations of subsidiary and increase investment therein. **Underwriter**—None.

**★ Hoosier Engineering Co., Indianapolis, Ind.**
Feb. 29 (letter of notification) 1,078.75 shares of class A common stock and 826 shares of class B common stock. **Price**—Class A common at $100 per share and class B common at $85 per share. **Proceeds**—To be used to replace cash used by company in the purchase of said securities from the Estate of Frank Bettendorf. **Office**—17 N. Meridian St., Indianapolis, Ind. **Underwriter**—None.

**Household Gas Service, Inc.**
Jan. 6 (letter of notification) 920 shares of 6% cumulative preferred stock. **Price**—At par ($25 per share) and accrued dividends. **Proceeds**—To repay indebtedness and for working capital. **Office** — Clinton, N. Y. **Underwriter**—Mohawk Valley Investing Co., Utica, N. Y.

**Hydro-Loc, Inc., Seattle, Wash.**
Oct. 25 (letter of notification) 1,674 shares of capital stock. **Price**—At par ($100 per share). **Proceeds**—For working capital, etc. **Office**—603 Central Bldg., Seattle 4, Wash. **Underwriter**—Pacific Brokerage Co. of Seattle, Wash.

**Idaho-Alta Metals Corp.**
February (letter of notification) 120,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For exploration and development expenses. **Underwriter** — Fenner Corp. (formerly Fenner-Streitman & Co.), New York.

**Ideal-Aerosmith, Inc., Hawthorne, Calif.**
Dec. 16 (letter of notification) 150,000 shares of capital stock (par $1). **Price** — $2 per share. **Proceeds** — For equipment, machinery, inventory, etc. **Office**—12909 So. Cerise Ave., Hawthorne, Calif. **Underwriter**—Samuel B. Franklin & Co., Los Angeles, Calif.

**★ Incorporated Income Fund, Boston, Mass.**
March 5 filed (by amendment) an additional 1,000,000 shares of common stock (par $1). **Price** — At market. **Proceeds**—For investment.

**Insulated Circuits, Inc., Belleville, N. J.**
Nov. 10 filed 100,000 shares of 6% convertible preferred stock (cumulative if and to the extent earned). **Price**—At par ($5 per share). **Proceeds**—For general corporate purposes. **Underwriter** — Alexander Watt & Co., Inc., New York.

**★ Insurance Securities Inc., Oakland, Calif.**
March 1 filed (by amendment) 46,212.4 units of Single Payment Plan, Series U, of $1,000 each, and 44,823 units of $1,200 each Accumulative Plan, Series E, Participating Agreements.

**International Atomic Devices Corp.**
Feb. 21 (letter of notification) 59,900 shares of common stock (par $2). **Price** — $5 per share. **Proceeds** — For working capital and general corporate purposes. **Business**—Manufacture of Educational Atomic Kits. **Office**—18 North Willow St., Trenton 8, N. J. **Underwriter**—Louis R. Dreyling & Co., Jamesburg, N. J.

**International Basic Metals, Inc.**
Jan. 27 (letter of notification) 1,000,000 shares of common stock (par 10 cents). **Price** — 25 cents per share. **Proceeds**—For mining expenses. **Office**—155 West South Temple St., Salt Lake City, Utah. **Underwriter**—Melvin G. Flegal & Co., Salt Lake City, Utah.

**International Metals Corp.**
Oct. 4 filed 400,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To finance exploration and development of mining properties of Recursos Mineros Mexicanos, S. A., Mexican subsidiary, and to discharge note. **Office** — Houston, Tex. **Underwriter**—Gearhart & Otis, Inc., New York.

**International Plastic Industries Corp.**
Oct. 12 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For advances to Arliss Co., Inc. for purchase of equipment, etc. **Office** — 369-375 DeKalb Ave., Brooklyn 5, N. Y. **Underwriter**—Kamen & Co., New York.

**"Isras" Israel-Rassco Investment Co., Ltd.**
Sept. 28 filed 9,000 ordinary shares. **Price**—At par (100 Israel pounds each, or about $55 in U. S. funds), payable in State of Israel Independence Issue Bonds only. **Office**—Tel Aviv, Israel. **Underwriter** — Rassco Israel Corp., New York.

**Jurassic Minerals, Inc., Cortez, Colo.**
Aug. 26 (letter of notification) 2,855,000 shares of nonassessable common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining activities. **Office** — 326 West Montezuma St., Cortez, Colo. **Underwriter** — Bay Securities Corp., New York, New York.

**Kara Commodity Fund, Inc.**
Feb. 24 (letter of notification) 275,988 shares of common stock (par 10 cents). **Price** — 100/92 of the bid price (about $1.067 per share). **Proceeds**—For investment. **Office**—521 Fifth Ave., New York, N. Y. **Business**—An open-end mutual fund dealing in commodities and commodity futures. **Underwriter**—Bruns, Nordeman & Co., New York.

**Kassel Base Metals, Inc.**
Feb. 6 (letter of notification) 120,000 shares of capital stock (par 10 cents), of which 20,000 shares are being sold by Burt Hamilton Co. and 100,000 shares by Kassel company. **Price**—$2.25 per share. **Proceeds**—For mining expenses. **Office**—1019 Adolphus Tower Bldg., Dallas, Texas. **Underwriter**—First Western Corp., Denver, Colorado.

**● Laclede Gas Co., St. Louis, Mo. (3/14)**
Feb. 21 filed 202,657 shares of convertible preferred stock, series A (par $25) to be offered for subscription by common stockholders of record March 16, 1956, at the rate of one preferred share for each 15 shares of common stock held; rights to expire on April 3. **Price**—At par ($25 per share). **Proceeds** — To reduce bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders may include Lehman Brothers; White, Weld & Co.; Stone & Webster Securities Corp.; Blair & Co. Incorporated and Drexel & Co. (jointly); Bear, Stearns & Co. and A. C. Allyn & Co. Inc. (jointly). **Bids**—To be received up to 11 a.m. (EST) on March 14 at Bankers Trust Co., 46 Wall St., New York 15, N. Y.

**Lawyers Mortgage & Title Co.**
Jan. 11 (letter of notification) 60,412 shares of common stock (par 65 cents) to be offered first to stockholders. Maxwell M. Powell (Vice-President) and Rudolph J. Welti (a director) will purchase up to a total of 10,000 shares each of any unsubscribed shares. **Price**—$1.50 per share. **Proceeds** — For working capital. **Office** — 115 Broadway, New York, N. Y. **Underwriter**—None.

**Lester Engineering Co., Cleveland, Ohio**
Feb. 24 (letter of notification) 37,500 shares of common stock (par $1) to be offered for subscription by common stockholders of record March 1, 1956 on the basis of one new share for each 4¼ shares held. Of the unsubscribed portion, up to 7,500 shares are to be offered to employees. **Price**—$8 per share. **Proceeds** — For general corporate purposes. **Office**—2711 Church Ave., Cleveland, Ohio. **Underwriter**—None.

**Life Underwriters Insurance Co., Shreveport, La.**
Sept. 26 filed 100,000 shares of common stock (par 25 cents) being offered for subscription by stockholders of record July 21, 1955 on the basis of one new share for each four shares held; rights to expire 45 days from the commencement of the offering (Jan. 31, 1956), after which unsold shares will be offered to public. **Price**—$8.75 per share to stockholders; $10 per share to public. **Proceeds** — For expansion and working capital. **Underwriter**—Frank Keith & Co., Shreveport, La.

**● L-O-F Glass Fibers Co., Toledo, O.**
Feb. 10 filed 251,405 shares of common stock (par $5) being offered for subscription by common stockholders of record Feb. 29, 1956, at the rate of one new share for each 10 shares held; rights to expire March 26, 1956. **Price**—$12 per share. **Proceeds**—For capital improvements; additional equipment, and working capital. **Underwriter**—None.

**Lost Canyon Uranium & Oil Co.**
Oct. 6 (letter of notification) 3,000,000 shares of nonassessable capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For expenses incident to mining operations. **Office** — Simms Bldg., Albuquerque, N. M. **Underwriter**—Mid-America Securities Inc. of Utah, Salt Lake City, Utah.

**Louisiana Power & Light Co. (3/20)**
Feb. 9 filed 70,000 shares of cumulative preferred stock (par $100). **Proceeds**—For property additions and improvements. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); Lehman Brothers; Blyth & Co., Inc. **Bids**—To be received up to 11.30 a.m. (EST) on March 20.

**★ Manati Sugar Co.**
March 5 filed $2,184,300 of 6% collateral trust bonds due 1965 to be offered in exchange for presently outstanding 4% bonds maturing Feb. 1, 1957 on a share-for-share basis. Unexchanged shares may be sold by company at approximately the principal amount thereof plus interest. **Proceeds**—To retire old bonds.

**Manufacturers Cutter Corp.**
Oct. 18 (letter of notification) 300,000 shares of class A common stock. **Price**—At par ($1 per share). **Proceeds**—To repay loans, and for new equipment and working capital. **Business**—Cutting tools. **Office**—275 Jefferson St., Newark, N. J. **Underwriter**—Paul C. Ferguson & Co., same city.

**★ Manville Oil & Uranium Co., Inc., Douglas, Wyo.**
Feb. 21 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—308 East Center St., Douglas, Wyo. **Underwriter**—Colorado Investment Co., Denver, Colo.

**● Marine Midland Corp.**
Feb. 6 filed 65,500 shares of common stock (par $5) being offered in exchange for outstanding common stock of The First Bank of Herkimer at rate of 6½ shares of Marine Midland common for each share of First National common held as of record March 5. Offer will expire on March 23.

**Mercantile Acceptance Corp. of California, Calif.**
Jan. 18 (letter of notification) 15,000 shares of 5% cumulative first preferred stock. **Price** — At par ($20 per share). **Proceeds** — For working capital. **Office** — 333 Montgomery St., San Francisco, Calif. **Underwriter**—Guardian Securities Corp., San Francisco, Calif.

**Midland General Hospital, Inc., Bronx, N. Y.**
Jan. 12 filed 24,120 shares of common stock (no par) and 30,000 shares of $6 dividend preferred stock (no par). The company does not intend presently to sell more stock than is required to raise, at most, $2,700,000. **Price** — $100 per share. **Proceeds** — For construction, working capital, reserve, etc. **Underwriter**—None.

**Mineral Projects-Venture C, Ltd., Madison, N. J.**
Feb. 7 filed $4,000,000 of participations in capital as limited partnership interests in the venture to be sold in minimum units of $25,000. **Proceeds**—For expenses incidental to oil exploration program. **Underwriter**—Mineral Projects Co., Ltd., on "best efforts basis."

**Mormon Trail Mining Corp., Salt Lake City, Utah**
Feb. 9 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—223 Phillips Petroleum Bldg., Salt Lake City, Utah. **Underwriter**—Frontier Investment, Inc., Las Vegas, Nev.

**● Murdock Acceptance Corp. (3/13)**
Feb. 15 filed 50,000 shares of capital stock (par $5). **Price**—To be supplied by amendment. **Proceeds**—For working capital and general corporate purposes. **Underwriters**—Equitable Securities Corp., Nashville, Tenn., and Bullington-Schas & Co., Memphis, Tenn.

**Narragansett Electric Co. (3/20)**
Feb. 21 filed $10,000,000 of first mortgage bonds, series E, due March 1, 1986. **Proceeds** — To repay bank loans and to reimburse treasury for property additions. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Salomon Bros. & Hutzler, White, Weld & Co.; Blyth & Co. Inc. and Harriman Ripley & Co. Inc. (jointly); Union Securities Corp.; Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); Lehman Brothers and Goldman, Sachs & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on March 20 at Room 804, 15 Westminster St., Providence 1, R. I.

**★ National Finance Co., Detroit, Mich. (3/27)**
March 5 filed 48,000 shares of convertible preferred stock (par $1), of which 44,000 shares are to be sold to the public and 4,000 shares to officers and employees. **Price**—$12.50 per share. **Proceeds**—For working capital. **Underwriter**—Baker, Simonds & Co., Detroit, Mich.

**National Lithium Corp., Denver, Colo.**
Dec. 27 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office** — 556 Denver Club Bldg., Denver, Colo. **Underwriter** — Investment Service Co., same city.

★ **National Metallizing Corp.**
March 5 (letter of notification) 24,000 shares of Class A stock (par $1) and 40,000 shares of Class B stock (par $1) to be offered for subscription by Class A and Class B stockholders of record Feb. 1, 1956 on a 1-for-4 basis. **Price**—$2 per share. **Proceeds**—For vacuum metallizing, conditioning, slitting and inspection machinery. **Office**—1145-19th St., N. W., Washington, D. C. **Underwriter**—None.

**National Old Line Insurance Co.**
Nov. 15 filed 50,000 shares of class A common stock (par $2) and 50,000 shares of class B common stock (par $2). **Price**—To be supplied by amendment. **Proceeds** — To selling stockholders. **Office** — Little Rock, Ark. **Underwriter**—Equitable Securities Corp., Nashville, Tenn., and New York, N. Y. **Offering**—Indefinitely postponed.

● **Nevada Natural Gas Pipe Line Co. (3/9)**
Jan. 30 filed $1,000,000 of 5½% subordinated sinking fund debentures due March 1, 1976, and 160,000 shares of common stock (par $1) to be offered in units of $25 of debentures and four shares of stock. **Price**—$50.50 per unit. **Proceeds**—To repay bank loans and for new construction. **Office**—Las Vegas, Nev. **Underwriter**—First California Co., San Francisco, Calif.

● **New Britain Gas Light Co., New Britain, Conn.**
Feb. 10 (letter of notification) 8,326 shares of common stock (par $25) being offered for subscription by common stockholders of record Jan. 27, 1956 on the basis of one new share for each nine shares held; rights to expire March 23. **Price**—$29 per share. **Proceeds**—For financing future plant additions. **Office**—35 Court St., New Britain, Conn. **Underwriter**—None.

**New South Textile Mills, Jackson, Miss.**
Jan. 13 filed 2,298,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For acquisition of properties and general corporate purposes. **Underwriter**—To be named by amendment.

★ **New York Telephone Co. (3/27)**
March 2 filed $55,000,000 of refunding mortgage bonds, series I, due April 1, 1986. **Proceeds** — Together with funds from sale of 1,100,000 additional shares of common stock at $100 per share to American Telephone & Telegraph Co., to be used to repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received on March 27.

**Nicholson (W. H.) & Co., Wilkes-Barre, Pa.**
Jan. 16 filed 20,000 shares of common stock (par $5). **Price**—$25 per share. **Proceeds** — For working capital. **Underwriter**—None. A. E. Nicholson Jr. of Kingston, Pa. is President.

★ **Noah's Ark Uranium Co., Inc., Seattle, Wash.**
Feb. 21 (letter of notification) 1,200,000 shares of capital stock (par two cents). **Price**—25 cents per share. **Proceeds**—For mining expenses. **Office**—719 Second Ave., Seattle, Wash. **Underwriters**—Cecil Murphy and Joseph Swan, Wallace, Idaho.

**Northern Ohio Telephone Co., Bellevue, Ohio**
Feb. 24 filed 70,290 shares of common stock (par $10) to be offered for subscription by stockholders at the rate of one new share for each five shares held. **Price**—To be supplied by amendment. **Proceeds**—To reimburse the company's treasury for additions and betterments made to property. **Underwriters**—Hayden, Miller & Co.; McDonald & Co.; Merrill, Turben & Co.; and Lawrence Cook & Co.; all of Cleveland, O.

**Northern States Power Co. (Minn.)**
Jan. 20 filed 670,920 shares of common stock (par $5) being offered for subscription by common stockholders of record March 1 at the rate of one new share for each 20 shares held; rights to expire on March 20. **Price**—$16.75 per share. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — Lehman Brothers and Riter & Co. (jointly) who were awarded the issue on Feb. 29.

**Oak Mineral & Oil Corp., Farmington, N. M.**
Nov. 8 (letter of notification) 2,000,000 shares of common stock (par five cents). **Price**—15 cents per share. **Proceeds**—For exploration and development and other general corporate purposes. **Underwriter**—Philip Gordon & Co., New York.

● **Oklahoma Gas & Electric Co.**
Feb. 15 filed 298,479 shares of common stock (par $10) being offered for subscription by common stockholders of record March 8 at a rate of one new share for each 10 shares held; rights to expire on March 27. Unsubscribed shares (up to 15,000) may be offered to employees. **Price**—$34 per share. **Proceeds**—For construction program. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

**Oneita Knitting Mills**
Feb. 21 (letter of notification) $296,600 of 20-year 6% debentures due March 1, 1976. **Price**—100% of principal amount. **Proceeds**—To redeem preferred stock and for working capital. **Office**—350 Fifth Ave., New York, N. Y. **Underwriter**—None.

● **Pacific Coast Aggregates, Inc.**
Feb. 10 filed 450,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — Together with other funds, to purchase assets of Santa Cruz Portland Cement Co.; for capital improvements, and working capital. **Underwriters** — Blyth & Co., Inc., and Schwabacher & Co., both of San Francisco, Calif. Statement effective March 5.

**Pacific Gas & Electric Co. (3/20)**
Feb. 28 filed $25,000,000 of first and refunding mortgage bonds, series Z, due Dec. 1, 1988. **Proceeds**—For retirement of short term bank loans obtained for temporary financing of additions to company's utility properties. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co. Inc.; The First Boston Corp. **Bids**—Tentatively expected to be received on March 20.

**Paria Uranium & Oil Corp.**
Oct. 17 (letter of notification) 3,000,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — Newhouse Bldg., Salt Lake City, Utah. **Underwriter** — Western States Investment Co., Tulsa, Okla.

● **Parker Petroleum Co., Inc. (3/15)**
Feb. 20 filed 150,000 shares of 6% cumulative convertible preferred stock (par $10) and 150,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds** — To repay loans, etc.; for exploration and development costs and for working capital. **Business**—A crude oil and natural gas producing company. **Office**—Ponca City, Okla. **Underwriter**—D. A. Lomasney & Co., New York.

**Peabody Coal Co., Chicago, Ill.**
Feb. 27 filed 210,823 shares of common stock to be offered for subscription by stockholders of record Jan. 30, 1956 on the basis of nine additional shares of common stock for each 100 common shares held and nine new shares of common stock for each 45 shares of preferred stock held. This offer will not be made to holders of the 6,492,164 shares of common stock issued for the acquisition of the Sinclair properties under an offer of June 28, 1955. **Price**—At par ($5 per share). **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

★ **Peninsular Telephone Co., Tampa, Fla. (3/22)**
March 2 filed 189,844 shares of common stock (no par) to be offered for subscription by common stockholders at the rate of one new share for each five shares held on or about March 21; rights to expire on April 5. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Morgan Stanley & Co. and Coggeshall & Hicks, both of New York.

**Perma Glass Fibre Fabrics Inc.**
Feb. 10 (letter of notification) 200,000 shares of common stock (par 1 cent). **Price**—$1.50 per share. **Proceeds**—For purchase of building and machinery and for working capital. **Office**—1150 Broadway, Hewlett, L. I., N. Y. **Underwriter**—Golden-Dersch & Co., New York.

★ **Philadelphia Fund, Inc., Philadelphia, Pa.**
March 6 filed 200,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

**Pinellas Industries, Inc., St. Petersburg, Fla.**
Feb. 16 (letter of notification) 8,000 shares of class A common stock (par $1). **Price**—At the market (maximum $6). **Proceeds**—For working capital. **Office**—34th St. & 22nd Ave., North, St. Petersburg, Fla. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

**Pipelife Corp., Tulsa, Okla.**
Nov. 29 filed 115,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To pay current accounts and notes payable; for research and development; and general corporate purposes. **Underwriter** — North American Securities Co., Tulsa, Okla.

**Plastics (J. E.) Manufacturing Corp.**
Feb. 10 (letter of notification) $294,000 of 10-year 6% convertible debentures, due April 1, 1966, and 30,000 shares of common stock (par 10 cents) to be offered in units of a $100 debenture and 10 shares of stock. **Price**—$102 per unit. **Proceeds**—For machinery and equipment. **Office**—555 West 23rd St., New York 11, N. Y. **Underwriter**—John R. Boland & Co., Inc., New York.

● **Prudential Loan Corp., Washington, D. C.**
Nov. 22 filed 111,000 shares of 44-cent cumulative prior preferred stock (par $5) and 55,500 shares of 10-cent par common stock to be offered in units of one share of preferred stock and one-half share of common stock. **Price**—$6.75 per unit. **Proceeds**—For general corporate purposes. **Underwriter** — Straus, Blosser & McDowell, Chicago, Ill. Statement withdrawn Feb. 17.

★ **Putnam (George) Fund of Boston**
Feb. 28 filed (by amendment) 1,500,000 additional shares of beneficial interest in the Fund. **Price**—At market. **Proceeds**—For investment.

**R. and P. Minerals, Inc., Reno, Nev.**
Feb. 14 (letter of notification) 500,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—573 Mill St., Reno, Nev. **Underwriter**—Utility Investments, Inc., Reno, Nev.

★ **Rapp (Fred P.), Inc., St. Louis, Mo.**
March 2 filed 150,000 shares of 5½% cumulative preferred stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans incurred by company to redeem and cancel all of the issued and outstanding shares of 4% and 7% preferred stock; and for expansion program. **Underwriter**—Edward D. Jones & Co., St. Louis, Mo.

**Redlands Oil Co., Ltd.**
Jan. 23 filed $1,000,000 of partnership interests to be offered in minimum amounts of $25,000. **Proceeds**—To acquire leases for drilling for oil and gas and for development costs. **Underwriter** — Name to be supplied by amendment.

**Regan Bros. Co., Minneapolis, Minn.**
Feb. 17 filed $500,000 of 6% sinking fund first mortgage bonds due 1976. **Price**—100% of principal amount. **Proceeds**—To purchase 36,128 shares of capital stock at a price of $10 per share from stockholders retiring from the company, and for working capital. **Business**—Manufactures and sells at wholesale bread products. **Underwriter**—M. H. Bishop & Co., Minneapolis, Minn.

**Reno Hacienda, Inc., Inglewood, Calif.**
Dec. 19 filed 4,000,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To purchase real property, for construction of buildings and other facilities and for general corporate purposes. **Underwriter**—Wilson & Bayley Investment Co.

**Republic Benefit Insurance Co., Tucson, Ariz.**
Sept. 30 filed 150,000 units in a dividend trust and stock procurement agreement to be offered to certain members of the general public who are acceptable applicants and who are to become active policyholders in the company. **Price**—$2 per unit. **Proceeds**—For general corporate purposes. **Underwriter**—None; to be offered by Leo Rich, Robert Kissel and Sidney M. Gilberg, as Trustees.

**Reynolds Minerals Corp., Denver, Colo.**
Jan. 30 (letter of notification) 40,000 shares of common stock (par $1). **Price** — $6 per share. **Proceeds** — For mining expenses. **Office**—822 First National Bank Bldg., Denver 2, Colo. **Underwriter**—Luckhurst & Co., Inc., New York.

**Reynolds Mining & Development Corp.**
Nov. 22 filed 1,500,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For working capital and mining expenses. **Office** — Moab, Utah. **Underwriter** — The Matthew Corp., Washington, D. C.

**Riddle Airlines, Inc., Miami, Fla.**
Dec. 20 filed 967,500 shares of common stock (par 10 cents) to be offered for subscription by stockholders at the rate of one new share for each four shares held (with an oversubscription privilege). [The company has obtained from certain stockholders waivers of subscription rights applicable to not less than 100,000 shares and such shares are to be offered to the general public free of the stockholders' prior rights.] **Price**—To be supplied by amendment. **Proceeds**—To repay bank loan and for working capital. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

● **Riegel Paper Corp., New York**
Feb. 9 filed 194,155 shares of common stock (par $10) to be offered for subscription by common stockholders of record March 6, 1956, at the rate of one new share for each five shares held; rights to expire on March 20. **Price** — $30 per share. **Proceeds** — For expansion and equipment. **Underwriter**—Morgan Stanley & Co., New York.

**Robinson (J. C.) Co., Detroit, Mich.**
Feb. 17 (letter of notification) 150,000 shares of cumulative convertible class A stock (par $1). **Price**—$2 per share. **Proceeds**—To build a new plant and for working capital. **Office** — 654 Mt. Elliott Ave., Detroit, Mich. **Underwriter**—D. B. Fisher Co., Detroit, Mich.

● **Rokeach (I.) & Sons, Inc., Flushing, N. Y. (3/15)**
Jan. 27 filed 400,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — To eliminate borrowings from commercial factors and enable the company to finance its own accounts; for working capital; and other general corporate purposes. **Business**—Manufacturer of kosher food products, soaps and cleansers. **Underwriter**—Jay W. Kaufmann & Co., New York.

**Rotary Electric Steel Co. (3/22)**
Feb. 16 filed 69,670 shares of common stock (par $10) to be offered for subscription by stockholders of record March 21, 1956 on the basis of one new share for each 10 shares held; rights to expire on April 4. **Price**—To be fixed on or about March 21. **Proceeds**—For general corporate purposes. **Underwriter**—W. E. Hutton & Co., Cincinnati, O.

**Royal Oil & Gas Co., Denver, Colo.**
Jan. 20 (letter of notification) 5,978,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For expenses incident to oil and gas production. **Office**—534 Commonwealth Building, Denver, Colo. **Underwriter**—Columbia Securities Co., Denver, Colo.

● **Ryder System, Inc., Miami, Fla.**
Jan. 30 filed 151,050 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds**—To help finance purchase of five other truck lines. **Underwriter**—Blyth & Co., Inc., New York. **Offering**—Not expected for 2 or 3 weeks.

**St. Regis Paper Co.**
Feb. 21 filed 540,000 shares of common stock (par $5) to be offered in exchange for outstanding common stock of Rhinelander Paper Co. on a share-for-share basis. The offer will be declared effective if 90% of Rhinelander common stock is deposited for exchange; and may be declared effective if a lesser amount, but not less than 80% of said shares, are so deposited. **Dealer-Managers**—White, Weld & Co., New York, and A. G. Becker & Co., Inc.

★ **San Francisco Brewing Co.**
Feb. 17 (letter of notification) voting trust certificates covering 10,275 shares of common stock (par $5). **Price**—$14.50 per share. **Proceeds** — To selling stockholder. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif.

**San Juan Racing Association, Inc., Puerto Rico**
Sept. 27 filed 4,000,000 shares of common stock (par 50 cents), of which 3,800,000 will be represented by 3,000,000 voting trust certificates and 800,000 warrants. These offerings are to be made in two parts: (1) an offering, at 50 cents per share, of 200,000 shares for subscription by stockholders of record April 30, 1955, on a two-for-one basis; and (2) a public offering of 3,000,000 shares, to be represented by voting trust certificates, at 58.8235 cents

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per share. **Proceeds**—For racing plant construction. **Underwriter**—None. Hyman N. Glickstein, of New York City, is Vice-President.

**Saratoga Plastics, Inc.**
Jan. 20 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$1.75 per share. **Proceeds**—To strengthen the over-all financial structure of the company. **Office**—North Walpole, N. H. **Underwriter**—First New Hampshire Corp., Concord, N. H.

**Sayre & Fisher Brick Co.**
Sept. 30 filed 325,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — For prepayment of outstanding 5½% sinking fund bonds due 1970; balance for general corporate purposes, including additions and improvements and working capital. **Underwriter** — Barrett Herrick & Co., Inc., New York City.

★ **Scott Paper Co., Chester, Pa. (3/21)**
March 2 filed $98,685,100 of convertible debentures due March 1, 1971, to be offered for subscription by common stockholders of record on or about March 20 on the basis of $100 principal amount of debentures for each eight shares of stock held. **Price** — To be supplied by amendment. **Proceeds**—To repay bank loans; for expansion and increase of investments; and for general corporate purposes. **Underwriters**—Drexel & Co., Philadelphia, Pa.; and Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

**Seaboard Drug Co., Inc.**
Jan. 19 (letter of notification) 300,000 shares of Class A stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For purchase of Mericin, Calona and Avatrol; market testing of Homatrone; and for working capital. **Office**—21 West 45th St., New York, N. Y. **Underwriter**—Foster-Mann, Inc., New York City.

**Shangrila Uranium Corp.**
Dec. 30 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Underwriter**—Western States Investment Co., Tulsa, Okla.

★ **Shenandoah Gas Co., Winchester, Va.**
Feb. 20 (letter of notification) 3,430 shares of common stock (par $1). **Price**—$6.75 per share. **Proceeds**—To a selling stockholder. **Underwriter** — Scott, Horner & Mason, Inc., Lynchburg, Va.

**Slick Airways, Inc., Burbank, Calif.**
Jan. 31 filed 422,992 shares of common stock (no par) being offered for subscription by stockholders at the rate of one new share for each share held of record Feb. 17, 1956; rights to expire on March 13. Up to 50,000 shares of any unsubscribed stock may be subscribed for by employees. **Price**—$5.25 per share. **Proceeds**—To repay certain indebtedness; to purchase additional equipment and facilities; and for working capital. **Underwriter**—Auchincloss, Parker & Redpath; and Allen & Co., both of New York.

**South States Oil & Gas Co.**
Feb. 8 filed 245,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To pay for note issued in part payment for acquisition of property; for acquisition of further oil and gas leasehold interests; for development and drillings costs; and working capital. **Office** — San Antonio, Tex. **Underwriters** — Dittmar & Co.; Russ & Co.; and Dewar, Robertson & Pancoast, all of San Antonio, Tex.

**Southern Oxygen Co., Bladensburg, Md.**
Feb. 1 filed $2,650,000 of 6% convertible subordinated debentures due April 1, 1966, of which $1,400,000 principal amount are being offered in exchange for presently outstanding 6% convertible subordinated debentures due 1962, par for par; the offer to expire on March 16. The old debentures have been called for redemption and payment March 31, 1956 at 100½% and accrued interest. On exchanges the one-half of 1% redemption premium will be paid. **Price**—100% of principal amount. **Proceeds**—To redeem old debentures, to purchase property and equipment for new construction and working capital. **Underwriters**—Johnson, Lemon & Co., Washington, D. C., and Union Securities Corp., New York.

**Southwestern Oklahoma Oil Co., Inc.**
Feb. 27 (letter of notification) 15,001 shares of common stock (par 10 cents) to be offered for subscription by stockholders. **Price**—$10 per share. **Proceeds**—For expenses incident to development of oil and gas properties. **Office**—801 Washington Bldg., Washington, D. C. **Underwriter**—None.

**Spencer-Kennedy Laboratories, Inc.**
Feb. 24 (letter of notification) $300,000 of 6% 10-year subordinated convertible debentures due March 1, 1966 and 30,000 shares of common stock (par $1) to be offered in units of $500 principal amount of debentures and 50 shares of stock. **Price**—$500 per unit. **Proceeds**—To reduce bank loans and for investment in community TV antenna systems. **Office**—1320 Soldiers Field Road, Boston 35, Mass. **Underwriters**—Childs, Jeffries & Thorndike and Minot, Kendall & Co., Inc., both of Boston, Mass.

● **Spokane Natural Gas Co. (3/21-22)**
Feb. 2 filed $3,505,000 of subordinate interim notes due Jan. 31, 1962 and 70,100 shares of common stock (par $1) to be offered in units of $50 of notes and one share of stock which will not be separately transferable until May 31, 1956. **Price** — To be supplied by amendment. **Proceeds**—Together with funds from bank loan of $6,275,000, for construction program. **Underwriter**—White, Weld & Co., New York.

**Spurr Mining Corp.**
Nov. 9 (letter of notification) 300,000 shares of common stock. **Price**—$1 per share. **Proceeds**—For mining expenses. **Underwriter**—Cavalier Securities Co., Washington, D. C.

**Strategic Metals, Inc., Tungstonia, Nevada**
Jan. 4 (letter of notification) 1,200,000 shares of common stock. **Price**—25 cents per share. **Proceeds**—For expenses incident to mining operations. **Underwriter**—R. Reynolds & Co., Salt Lake City, Utah.

**Suburban Land Developers, Inc., Spokane, Wash.**
Feb. 2 (letter of notification) 920 shares of 6% cumulative non-voting preferred stock ($100 per share) and 2,160 shares of common stock (par $10). **Price**—Of preferred, $100 per share; and of common, $15 per share. **Proceeds**—For improvements and working capital. **Office**—909 West Sprague Ave., Spokane, Wash. **Underwriter**—W. T. Anderson & Co., Inc., Spokane, Wash.

**Summit Springs Uranium Corp., Rapid City, S. D.**
Oct. 3 (letter of notification) 1,200,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For expenses incident to mining operations. **Office**—Harney Hotel, Rapid City, S. D. **Underwriter**—Morris Brickley, same address.

**Superior Uranium Co., Denver, Colo.**
Nov. 9 (letter of notification) 29,600,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For mining operations. **Office**—608 California Bldg., Denver, Colo. **Underwriter**—Securities, Inc., P. O Box 127, Arvada, Colo.

**Sweetwater Uranium Co.**
Sept. 9 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining operations. **Office**—605 Judge Bldg. Salt Lake City, Utah. **Underwriter**—Skyline Securities, Inc., Denver, Colo.

**Table Rock Laboratories, Inc., Greenville, S. C.**
Feb. 13 (letter of notification) $80,000 of 6% sinking fund subordinated debentures and 2,500 shares of class B non-voting stock (par $10) to be offered in units of $400 of debentures and five shares of stock. **Price**—$500 per unit. **Proceeds** — For working capital. **Office**—211 Frank St., Greenville, S. C. **Underwriter** — Edgar M. Norris, Greenville, S. C.

**Taylor Petroleum Corp., Norman, Okla.**
Feb. 1 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For working capital, drilling and completion of additional wells, possible acquisition of interests in additional oil and gas leases and exploration for oil and gas. **Underwriter**—Hayden, Stone & Co., New York.

**Tele-Broadcasters, Inc., New York**
Jan. 11 (letter of notification) 200,000 shares of common stock (par five cents). **Price**—$1.50 per share. **Proceeds**—For conversion of station "WARE" to full-time broadcasting; to buy a fourth radio station; and for general corporate purposes. **Underwriter**—Joseph Mandell Co., 48 Hudson Ave., Waldwick, N. J.

**Telechrome Manufacturing Co.**
Feb. 15 (letter of notification) 99,800 shares of class A common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For expansion and working capital. **Business**—Electronic apparatus. **Office** — 84 East Merrick Road, Amityville, L. I., N. Y. **Underwriter**—All States Securities Dealers, Inc., New York.

**Tenison Drilling Co., Inc., Billings, Mont.**
Dec. 12 filed 400,000 shares of common stock (par 10¢). **Price**—$1 per share. **Proceeds**—For drilling test costs, payment of notes and accounts payable and loans and for general working capital. **Underwriter** — Carroll, Kirchner & Jaquith, Inc., Denver, Colo. Statement effective Feb. 15.

**Texas Eastern Transmission Corp.**
Nov. 30 filed 200,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—Toward redemption of presently outstanding 190,000 shares of 5.50% first preferred stock. **Underwriter**—Dillon, Read & Co., Inc., New York. **Offering**—Temporarily postponed.

**Tex-Star Oil & Gas Corp., Dallas, Texas**
Jan. 20 (letter of notification) 99,990 shares of common stock (par $1). **Price** — $3 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—Meadows Building, Dallas, Texas. **Underwriter** — Thomas F. Neblett, Los Angeles, Calif.

★ **Thompson (H. I.) Fiber Glass Co. (3/12)**
March 2 (letter of notification) 16,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriters**—Shearson, Hammill & Co.; Paine, Webber, Jackson & Curtis; and First California Co.

● **Tide Water Associated Oil Co. (3/21)**
Feb. 29 filed $100,000,000 of 30-year sinking fund debentures due 1986. **Price** — To be supplied by amendment. **Proceeds** — To finance various projects, including construction of the company's Delaware Flying A refinery; for acquisition and development of crude oil production, for expansion and improvement of refining and transportation facilities; and for repayment, in whole or in part, of short term borrowings. **Underwriters**—Eastman, Dillon & Co.; Kuhn, Loeb & Co.; and Lehman Brothers.

**Tomrock Copper Mines Ltd., Toronto, Canada**
Feb. 9 filed 200,000 shares of common stock (par $1) to be offered publicly to residents of the United States. **Price** — 50 cents per share. **Proceeds**—For exploration and development costs. **Underwriter**—Harold W. Lara, 241 Sanford St., Rochester, N. Y.

★ **Trans-Eastern Petroleum, Inc., Wellsville, N. Y.**
Feb. 27 (letter of notification) 40,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—To acquire interests in oil and gas lands. **Office**—161 North Main St., Wellsville, N. Y. **Underwriter**—None.

**TranSouth Life Insurance Co., Columbia, S. C.**
Feb. 21 filed 941,250 shares of class A non-voting common stock (par $1) and 10,270 shares of class B voting common stock (par $1) of which 100,000 class A and all of the class B shares are to be reserved on exercise of options to be granted to employees and directors of the company. Class A shares are to be offered in units of four shares each, and at $8 per unit, under a condition that each purchaser donate one share out of every four shares purchased to TranSouth Educational Foundation, Inc. **Proceeds**—To finance its business as a life insurance company. **Underwriter**—None. J. R. Hoile is President-Treasurer; and G. F. Kennedy is Secretary.

**Tremont Motel Corp.**
Feb. 16 (letter of notification) 80,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For purchase of property and construction of additional motor courts; and for working capital. **Office**—744 Broad St., Newark, N. J. **Underwriter**—Berry & Co., Plainfield, N. J.

**Trinidad Brick & Tile Co.**
Dec. 14 (letter of notification) 800 shares of common stock (par $100); and $75,000 of 6% construction notes due Dec. 15, 1963. **Price**—At par. **Proceeds**—For paying notes payable and accounts payable and operating capital. **Office**—Trinidad, Colo. **Underwriters**—Fairman, Harris & Co., Inc., Chicago, Ill.

**Tunacraft, Inc., Kansas City, Mo.**
Jan. 17 (letter of notification) $250,000 of 6% 12-year registered subordinated sinking fund debenture notes due Jan. 1, 1968. **Price**—At par. **Proceeds**—To reduce outstanding secured obligations. **Underwriter**—McDonald, Evans & Co., Kansas City, Mo.

**Underwriters Factors Corp.**
Dec. 7 (letter of notification) 29,500 shares of 6⅔% participating convertible preferred stock (par $10) and 2,950 shares of common stock (par one cent) to be offered in units of 10 shares of preferred stock and one share of common stock. **Price** — $100.01 per unit. **Proceeds** — To increase working capital. **Office** — 51 Vesey St., New York, N. Y. **Underwriter**—New York and American Securities Co., 90 Wall St., New York, N. Y.

**Union of Texas Oil Co., Houston, Texas**
Jan. 19 (letter of notification) 240,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For expenses incident to oil production. **Office** — San Jacinto Building, Houston, Tex. **Underwriter**—Mickle & Co., Houston, Texas.

**U. S. Automatic Machinery & Chemical Corp.**
Nov. 4 (letter of notification) 300,000 shares of class A common stock (par 10 cents). **Price**—$1 per share. **Proceeds** — For general corporate purposes. **Office**—8620 Montgomery Ave., Philadelphia, Pa. **Underwriter**—Columbia Securities Corp., 135 Broadway, New York.

**Urania, Inc., Las Vegas, Nev.**
Jan. 20 (letter of notification) 50,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For expenses incident to mining operations. **Office**—1802 South Main St., Las Vegas, Nev. **Underwriter**—Fenner-Streitman & Co., New York City.

**Uranium Exploration Co., Salt Lake City, Utah**
Feb. 13 (letter of notification) 77,875 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—538 East 21st South St., Salt Lake City, Utah. **Underwriter** — Pioneer Investments, Salt Lake City, Utah.

**Utco Uranium Corp., Denver, Colo.**
Jan. 30 (letter of notification) 200,000 shares of common stock, which are covered by an option held by the underwriter. **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—310 First National Bank Bldg., Denver, Colo. **Underwriter** — Amos C. Sudler & Co., same city.

● **Van Waters & Rogers, Inc., Seattle, Wash.**
Feb. 14 filed 63,560 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank borrowings and for working capital. **Underwriter**—Blyth & Co., Inc., San Francisco and New York. Statement effective March 6.

**Vance Industries, Inc., Evanston, Ill.**
Jan. 24 (letter of notification) 7,000 shares of common stock (par one cent). **Price**—$7 per share. **Proceeds**—To selling stockholders. **Office** — 2108 Jackson Ave., Evanston, Ill. **Underwriter**—Arthur M. Krensky & Co., Inc., Chicago, Ill.

**Wagon Box Uranium Corp., Provo, Utah**
Nov. 21 filed 2,000,000 shares of common stock (par five cents). **Price**—25 cents per share. **Proceeds**—To explore and acquire claims, for purchase of equipment and for working capital and other corporate purposes. **Underwriter**—H. P. Investment Co., Provo, Utah and Honolulu, Hawaii.

★ **War Eagle Mining Co., Inc., Yakima, Wash.**
Feb. 23 (letter of notification) 250,000 shares of common stock (par five cents). **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office**—114 East Chestnut St., Yakima, Wash. **Underwriters** — Floyd Magnuson, Leslie E. Vannice and E. Walter Peterson, Yakima, Wash.

● **Washington Gas Light Co.**
Feb. 15 filed 149,554 shares of common stock (no par) being offered for subscription by common stockholders of record March 2, 1956, at rate of one new share for each eight shares held; rights to expire on March 20. **Price**—$37 per share. **Proceeds**—For construction program. **Underwriters**—The First Boston Corp., New York, and Johnston, Lemon & Co., Washington, D. C.

**West Jersey Title & Guaranty Co.**
Jan. 23 (letter of notification) 10,000 shares of common stock (par $10) of which 8,000 shares are first to be

offered for a period of 30 days in exchange for outstanding preferred stock on a 2-for-1 basis; any shares remaining will be offered to common stockholders. **Price**—$25 per share. **Office**—Third and Market Sts., Camden, N. J. **Underwriter**—None.

● **Westcoast Transmission Co., Ltd. (3/19-23)**
Jan. 26 filed $20,500,000 (U.S.) 32-year subordinate debentures, due Feb. 1, 1988, and 615,000 shares of capital stock (no par) to be offered in units of $100 of debentures and three shares of stock. **Price**—To be supplied by amendment. **Proceeds**—Together with funds to be received from insurance companies and banks and from sale of an additional 3,271,000 shares of stock to Westcoast Investment Co., to be used to construct a pipe-line system. **Office**—Calgary, Alta., Canada. **Underwriter**—Eastman, Dillon & Co., New York.

**Western Greyhound Racing, Inc. (3/19-23)**
Dec. 19 filed 1,950,000 shares of common stock (par one cent), of which 1,800,000 shares are to be offered publicly. **Price**—$1.25 per share. **Proceeds**—To purchase assets of Arizona Kennel Club, and for working capital and other general corporate purposes. **Office**—Phoenix, Ariz. **Underwriter**—M. J. Reiter Co., New York.

**Western Securities Corp. of New Mexico**
Feb. 13 (letter of notification) 50,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To start a dealer or brokerage business. **Office**—921 Sims Bldg., Albuquerque, N. M. **Underwriter**—None.

★ **Whirlpool-Seeger Corp. (3/20)**
Feb. 29 filed $30,000,000 of sinking fund debentures due Aug. 1, 1980; and 150,000 shares of common stock (par $5), the latter to be sold for the account of a selling stockholder. **Price**—To be supplied by amendment (the price of the stock to be related to the current market price at the time of the offering). **Proceeds**—For prepayment of the remaining long term debt ($9,000,000) which constitutes the balance of the purchase price of the plant and facilities acquired from International Harvester Co.; to reimburse the treasury for funds already paid in connection with this acquisition and for prepayment on Feb. 2, 1956 of the 3½% promissory notes due to May 1, 1960; and for general corporate purposes, including working capital and additions and improvements to facilities. **Underwriters**—Goldman, Sachs & Co., New York; and Fulton, Reid & Co., Cleveland, Ohio.

**White Sage Uranium Corp.**
Feb. 13 (letter of notification) 15,000,000 shares of capital stock. **Price**—At par (one cent per share). **Proceeds**—For mining expenses. **Office**—547 East 21st South St., Salt Lake City, Utah. **Underwriter**—Empire Securities Corp., Salt Lake City, Utah.

● **Willcox & Gibbs Sewing Machine Co.**
Feb. 16 (letter of notification) 22,000 shares of common stock (par $5) being offered for subscription by common stockholders of record Feb. 27, 1956 on the basis of one new share for each 10 shares held; rights to expire on March 23. **Price**—$7.15 per share. **Proceeds**—For general corporate purposes. **Office** — 214 West 39th St., New York. **Underwriter**—None.

**Williamson Co., Cincinnati, Ohio**
Feb. 20 (letter of notification) 20,666 shares of class B common stock (par $1) to be offered for subscription by class B common stockholders on a 1-for-7 basis. **Price**—$6.84 per share. **Proceeds**—For working capital. **Office**—3500 Maison Road, Cincinnati, Ohio. **Underwriter**—None.

**Winn-Dixie Stores, Inc. (3/15)**
Feb. 24 filed $10,000,000 of sinking fund debentures due April 1, 1976. **Price** — To be supplied by amendment. **Proceeds** — For carrying increased inventories; and for expansion, improvement and modernization of company's chain stores, warehouses and other facilities. **Office**—Jacksonville, Fla. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

**Woodstock Uranium Corp., Carson City, Nev.**
Nov. 21 (letter of notification) 3,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—Virginia Truckee Bldg., Carson City, Nev. **Underwriter**—Cayias, Larson, Glaser, Emery, Inc., Salt Lake City, Utah.

**Wy-Cal Uranium Enterprises, Inc., Lander, Wyo.**
Dec. 6 (letter of notification) 273,000 shares of capital stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For mining operations. **Office**—268 Main St., Lander, Wyo. **Underwriter**—Valley State Brokerage, Inc., 2520 South State St., Salt Lake City, Utah.

**Wycotah Oil & Uranium, Inc., Denver, Colo.**
Nov. 10 filed 1,500,125 shares of common stock (par one cent) to be offered only to the owners of percentages of working interests in certain oil and gas leases and to the owners of certain uranium properties, and in exchange for such working interests and properties. **Price**—Shares to be valued at an arbitrary price of $4 per share. **Proceeds**—To acquire properties. **Underwriter**—None.

★ **Wyoming Uranium Corp., Lander, Wyo.**
Feb. 20 (letter of notification) an unstated number of shares of common stock (par one cent). **Price**—At market (estimated at 15 cents per share); not to exceed an aggregate of $50,000. **Proceeds**—To go to Timothy S. Armstrong, Beatrice P. Armstrong and Hepburn T. Armstrong. **Address**—Box 24, Lander, Wyo. **Underwriter**—L. M. Ladet Co., Denver, Colo.

**Zenith-Utah Uranium Corp.**
Sept. 14 (letter of notification) 6,000,000 shares of class A common stock. **Price**—At par (five cents). **Proceeds**—For mining expenses. **Office**—45 East Broadway, Salt Lake City, Utah. **Underwriter**—Bel-Air Securities Corp., same city.

# Prospective Offerings

**Air-Vue Products Corp., Miami, Fla.**
Feb. 20 it was reported early registration is expected of 150,000 shares of common stock. **Price**—Around $4.25 per share. **Proceeds** — For expansion program. **Underwriter**—Arthur M. Krensky & Co., Inc., Chicago, Ill.

**American Gas & Electric Co.**
Jan. 30 it was reported company plans to offer about $30,000,000 of common stock to its common stockholders in June or July. **Underwriter** — To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Union Securities Corp. (jointly); Blyth & Co., Inc.

**American Security & Trust Co., Washington, D. C.**
Feb. 21 the Bank offered to its stockholders of record Feb. 10 the right to subscribe on or before March 13 for 124,666⅔ shares of its capital stock (par $10) on the basis of one new share for each three shares held. **Price**—$43.50 per share. **Proceeds** — To increase capital and surplus. **Underwriters**—Alex. Brown & Sons; Auchincloss, Parker & Redpath; and Folger, Nolan-W. B. Hibbs & Co., Inc.

**American Shopping Centers, Inc.**
Jan. 23 it was announced company will soon offer publicly some new securities in the approximate amount of $6,000,000. **Proceeds**—To acquire shopping centers. **Office**—Minneapolis, Minn. **Underwriter**—Carl M. Loeb, Rhoades & Co., New York.

● **Anderson-Prichard Oil Corp. (4/24)**
Feb. 17 it was announced stockholders will vote April 19 on approving the creation of a new authorized issue of $20,000,000 preferred stock, of which the company intends to initially issue $10,000,000, which would be convertible into common stock and may be first offered for subscription by common stockholders. It is also planned to increase the authorized common stock from 1,000,000 shares to 3,000,000 shares and effect a two-for-one stock split. **Underwriter**—Glore, Forgan & Co., New York.

**Baltimore & Ohio RR.**
Feb. 16 company sought ICC authority to issue up to $54,710,000 of convertible 4½% debentures, series A, due Feb. 1, 2010, which it proposes to offer in exchange to holders of its outstanding convertible 4½% income bonds on a par-for-par basis.

● **Bank of America, N. T. & S. A.**
March 7 this Bank offered 1,600,000 additional shares of capital stock to stockholders of record March 6 in the ratio of one new share for each 15 shares held; rights to expire on April 2. **Price**—$35 per share. **Proceeds**—For expansion, etc. **Underwriters**—Blyth & Co., Inc. and Dillon, Read & Co. Inc.

**California Bank, Los Angeles, Calif.**
Feb. 9 Bank offered 169,200 shares of common stock to stockholders on the basis of one new share for each seven shares held as of record Feb. 8, 1956; rights to expire on March 9. **Price**—$42.50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., Los Angeles, Calif.

**California Oregon Power Co.**
Feb. 13 it was reported company plans to issue and sell in April or May $16,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Lehman Brothers; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly).

★ **Caterpillar Tractor Co. (4/4-5)**
March 6 the directors approved the sale of 500,000 additional shares of common stock. **Price**—To be determined at time of sale. **Proceeds**—For plant expenditures. **Underwriter** — Blyth & Co., Inc., San Francisco and New York.

**Central Illinois Light Co. (4/4)**
Jan. 25 it was announced company plans to offer to its common stockholders of record April 3 the right to subscribe on or before April 19 for 100,000 additional shares of common stock on the basis of one new share for each 10 shares held. **Price**—In the neighborhood of $50 per share. **Proceeds**—For construction program. **Underwriter**—Union Securities Corp., New York. **Registration**—Expected on or about March 15.

● **Columbia Gas System, Inc. (4/10)**
Jan. 9 it was reported company plans to issue and sell $40,000,000 of 25-year senior debentures due 1981. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Tentatively expected to be received on April 10. **Registration** — Planned for March 14.

**Columbia Gas System, Inc. (10/2)**
Feb. 15 it was announced company may issue and sell $30,000,000 of debentures. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received on Oct. 2.

**Columbus & Southern Ohio Electric Co. (4/3)**
Feb. 24 it was announced company plans to issue and sell $12,000,000 of first mortgage bonds due 1986. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lee Higginson Corp.; Blair & Co Incorporated and Baxter, Williams & Co. (jointly); Salomon Bros. & Hutzler; White, Weld & Co.; Lehman Brothers; Dillon, Read & Co. Inc. and The Ohio Co. (jointly); Union Securities Corp. and Glore, Forgan & Co. (jointly). **Bids** — To be opened at 11 a.m. (EST) on April 3 at City Bank Farmers Trust Co., 2 Wall St., New York, N. Y. **Registration**—Planned for about March 13.

**Commonwealth Edison Co.**
Jan. 24 it was announced that company may issue between $35,000,000 to $50,000,000 of bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co. and Blyth & Co., Inc. (jointly); The First Boston Corp.

★ **Connecticut Power Co.**
March 1 it was reported company plans to issue and sell $5,200,000 of new preferred stock and offer to common stockholders 71,132 additional shares of common stock on a 1-for-10 basis. **Proceeds** — To reduce bank loans. **Underwriters**—Putnam & Co.; Chas. W. Scranton & Co. **Offering**—Expected in June.

**Consolidated Water Co.**
Jan. 16, Frank A. O'Neill, President, announced that the company sometime between now and the summer of 1956, will probably do some additional financing. **Proceeds**—For expansion. **Underwriters**—The Milwaukee Co.; Harley Haydon & Co., Inc.; and Indianapolis Bond & Share Corp. underwrote class A common stock offering made last August.

**Cribben & Sexton Co.**
Feb. 27 it was reported stockholders will vote March 6 on approving a proposal to increase the authorized common stock from 250,000 shares to 750,000 shares, the additional shares probably to be issued in connection with future financing. **Underwriter**—May be Hornblower & Weeks, New York.

**Delaware Power & Light Co.**
Sept. 28 it was announced that the company expects to undertake some common stock financing, probably first to common stockholders. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co. and Union Securities Corp. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Carl M. Loeb, Rhoades & Co.; Blyth & Co. Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Lehman Brothers. **Offering**—Expected in June or July.

**Dolly Madison International Foods Ltd.**
Nov. 15 it was announced that Foremost Dairies, Inc. intends at a future date to give its stockholders the right to purchase its Dolly Madison stock. **Underwriter**—Allen & Co., New York.

**Du Mont Broadcasting Corp.**
Aug. 10 it was announced that corporation, following issuance on Dec. 2 to stockholders of Allen B. Du Mont Laboratories, Inc. of 944,422 shares of common stock as a dividend, contemplates that additional shares will be offered to its stockholders. This offering will be underwritten. Kuhn, Loeb & Co. and Van Alstyne, Noel & Co. handled Du Mont Laboratories class A stock financing some years ago. Stockholders of Laboratories on Oct. 10 approved formation of Broadcasting firm.

**Duke Power Co. (5/7)**
Feb. 15 it was announced company plans to issue and sell a total of $30,000,000 of first and refunding mortgage bonds due 1986. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Morgan Stanley & Co.; Stone & Webster Securities Corp. **Bids**—Tentatively expected to be received on May 7.

**Duke Power Co. (5/10)**
Feb. 15 it was announced company proposes to offer to its common stockholders this Spring (probably to holders of record May 10, 1956) additional common stock on a 1-for-25 basis; rights to expire on May 25. This would involve 367,478 shares. **Proceeds** — About $9,000,000, to be used for construction program. **Underwriter**—None.

**Edo Corp., College Point, L. I., N. Y.**
Feb. 27 it was reported company plans to raise between $1,000,000 and $2,000,000 through the sale of some additional common stock through a group of underwriters. **Business**—Aircraft floats and components.

**El Paso Electric Co. (4/5)**
Feb. 16 it was reported company plans to offer to its common stockholders of record April 4 the right to subscribe on or before April 25 for 56,025 additional shares of common stock on a 1-for-15 basis. **Dealer-Manager**—Probably Stone & Webster Securities Corp. **Registration**—Expected March 15.

**El Paso Electric Co. (5/8)**
Feb. 16 it was reported company plans to issue and sell 20,000 shares of cumulative preferred stock (no par). **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; Salomon Bros. & Hutzler; Stone & Webster Securities Corp.; Blair & Co. Incorporated; Equitable Securities Corp.; Union Securities Corp.; Kidder, Peabody & Co., White, Weld & Co., and Shields & Co. (jointly). **Bids**—Expected to be received on May 8. **Registration**—Tentatively expected April 10.

**Flo-Mix Fertilizers Corp., Houma, La.**
Dec. 12 it was reported early registration is expected of 159,000 shares of common stock. **Price** — Probably $5 per share. **Underwriters**—Fairman, Harris & Co., Inc., and Straus, Blosser & McDowell, both of Chicago, Ill.

**Florida Power Corp. (7/11)**
Feb. 20 it was announced company plans to issue and sell $20,000,000 of first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Leh-

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man Brothers and Blyth & Co., Inc. (jointly); Glore, Forgan & Co.; The First Boston Corp. **Bids**—Expected July 11. **Registration**—Planned for June 14.

**★ General Acceptance Corp.**
March 2 it was announced company is considering a special stockholders' meeting to vote on authorizing a new issue of 80,000 shares of $5 cumulative preferred stock (par $100) and on increasing the authorized debt from $30,000,000 to $100,000,000.

**★ General American Transportation Corp.**
March 5 the directors voted to issue up to $25,000,000 of convertible subordinated debentures, which are to be offered for subscription by common stockholders on the basis of $100 of debentures for each 10 shares of common stock held. **Price**—To be announced later. **Proceeds**—For general corporate purposes. **Underwriter** — Kuhn, Loeb & Co., New York. **Meeting**—Stockholders to vote April 24 on approving proposed debenture issue.

**★ General Telephone Corp. (4/20)**
March 1, Donald C. Power, President, announced company plans to offer to its common stockholders up to $55,000,000 of convertible debentures. **Proceeds**—To purchase securities of subsidiary companies and for general corporate purposes. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston and New York. **Registration**—Scheduled for March 30. **Meeting**—Stockholders to vote April 18 on approving proposed financing.

**General Tire & Rubber Co.**
Feb. 24 stockholders approved a proposal to increase authorized common stock to 2,500,000 from 1,750,000 shares and the authorized preference stock to 1,000,000 from 350,000 shares; also a proposal that any issue of debentures may include a privilege to convert into common stock and permit the company to issue warrants to purchase common stock, provided the total that may be outstanding at any one time does not exceed 600,000 shares. [The company expects to issue 23,000 additional preference shares—5,000 for acquiring stock and property and 18,000 for cash. Having completed long-term borrowing negotiations of $30,000,000 from insurance companies, the company expects to sell not more than $15,000,000 in debentures.] **Underwriter**—Kidder, Peabody & Co., New York.

**★ Hawaiian Electric Co., Ltd.**
March 5 it was announced stockholders will vote March 20 on issuance of 70,000 shares of common stock as a 10% stock dividend; and on sale of 100,000 additional common shares and $5,000,000 of preferred stock. **Proceeds**—For construction program. **Underwriter**—For common stock, none; and for preferred stock, Dillon, Read & Co., New York.

**★ Illinois Power Co.**
March 1 it was reported company may issue about $25,000,000 of debt securities. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman, Ripley & Co. Inc. and Glore, Forgan & Co. (jointly); Union Securities Corp.

**Inland Steel Co.**
Nov. 3, Joseph L. Block, President, announced that a substantial portion of the required funds for the company's expansion program (estimated to cost approximately $260,000,000 for three-year period 1956-1958) will be derived from retained earnings and depreciation reserves. However, he stated, it will also be necessary to secure a large portion through public financing. It is quite likely that a major part will be in the form of debt financing. No such financing is contemplated during the current year, nor have the times or methods of financing been definitely determined. **Underwriter** — Kuhn, Loeb & Co., New York.

**Jersey Central Power & Light Co.**
Feb. 6 it was reported company may in May or June 1956, issue and sell $9,000,000 first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; White, Weld & Co.; Kidder, Peabody & Co.; Union Securities Corp., Salomon Bros. & Hutzler and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blair & Co. Incorporated.

**● Kansas City Power & Light Co. (4/10)**
Feb. 7 it was announced company plans to issue and sell 120,000 shares of preferred stock (par $100). **Proceeds**—To retire short-term bank loans. **Underwriters**—Blyth & Co., Inc., and The First Boston Corp.

**Kentucky Utilities Co.**
Jan. 25 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds some time in April. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lee Higginson Corp.; Equitable Securities Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Baxter, Williams & Co.; Kuhn, Loeb & Co.

**Kimberly-Clark Corp., Neenah, Wis.**
Nov. 22 it was announced that the company plans further financing, the nature and extent of which has not yet been determined, except it is not the present intention to sell additional common stock. **Proceeds**—To be used to pay for further expansion, estimated to cost an additional $37,000,000. **Underwriter**—Blyth & Co., Inc., New York.

**Lone Star Steel Co.**
Jan. 24, E. B. Germany, President, announced that the company plans the private and public sale of new securities during the first half of the current year. **Proceeds**—To retire indebtedness of company held by the RFC and the Treasury Department. **Underwriters**—Probably Dallas Rupe & Son; Estabrook & Co.; and Straus & Blosser.

**Long Island Lighting Co. (4/26)**
Feb. 29 company announced that it plans to issue and sell $12,000,000 of preferred stock following approval by the New York P. S. Commission and clearance by the Securities and Exchange Commission. **Underwriters**—Blyth & Co., Inc.; The First Boston Corp.; and W. C. Langley & Co.

**● Maine Bonding & Casualty Co.**
Feb. 4 it was announced that the company plans to offer to its common stockholders on a 3-for-7 basis an additional 30,000 shares of common stock (par $10). **Underwriter**—To be selected. **Meeting**—Stockholders on Feb. 17 approved an increase in the authorized common stock from 50,000 shares to 100,000 shares. Of the increased stock, 20,000 shares are to be issued as a 40% stock dividend on March 1 to stockholders of record Feb. 17.

**● Manufacturers & Traders Trust Co. (3/12)**
Feb. 25 it was announced Bank plans to offer 340,000 additional shares of its capital stock (par $5) to its stockholders of record March 9, 1956, on the basis of one new share for each four shares held; rights to expire on March 26. **Price**—Expected to be about $20 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—The First Boston Corp., New York.

**Metropolitan Edison Co.**
Feb. 6 it was reported that company is considering the sale of additional first mortgage bonds later this year. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.; Kidder, Peabody & Co. and Drexel & Co. (jointly); The First Boston Corp.

**Missouri Pacific RR. (3/14)**
Feb. 27 it was announced that following termination of bankruptcy proceedings expected today (March 1), the reorganization managers planned to issue invitations for an issue of approximately $23,000,000 of new collateral trust notes, which are to be first offered in exchange for New Orleans, Texas & Mexico Ry. first mortgage bonds, of which there are outstanding $41,000,000. **Underwriter** — To be determined by competitive bidding. Probable bidders may include: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co. **Bids**—Expected to be opened on March 14.

**Natural Gas Pipe Line Co. of America**
Feb. 20 it was reported company plans to issue and sell late this Spring $35,000,000 of first mortgage bonds due 1976. **Underwriter**—If determined by competitive bidding, the following may bid: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers and Union Securities Corp. (jointly).

**New England Electric System (4/18)**
Jan. 3 it was announced company plans to offer to its stockholders 834,976 additional shares of common stock on the basis of one new share for each 12 shares held. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., Lehman Brothers and Bear, Stearns & Co. (jointly); Carl M. Loeb, Rhoades & Co., Ladenburg, Thalmann & Co. and Wertheim & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected on April 18.

**New England Electric System**
Jan. 3 it was announced company plans to merge its subsidiaries, Essex County Electric Co., Lowell Electric Light Corp., Lawrence Electric Co., Haverhill Electric Co. and Amesbury Electric Light Co., into one company during 1956. This would be followed by a $20,000,000 first mortgage bond issue by the resultant company, the name of which has not as yet been determined. **Underwriter** — May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler, Union Securities Corp. and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly).

**New England Power Co.**
Jan. 3 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds during October of 1956. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler, Union Securities Corp. and Wood, Struthers & Co. (jointly); Lehman Brothers; The First Boston Corp.; Equitable Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly).

**Niagara Mohawk Power Corp.**
Feb. 27 it was reported company is tentatively considering issuance and sale of additional general mortgage bonds due 1987 some time this Spring. **Proceeds**—For construction program which may cost approximately $62,000,000 this year. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Union Securities Corp. (jointly); Morgan Stanley & Co.; The First Boston Corp.

**Northern Illinois Gas Co.**
Feb. 20 it was reported company plans to issue and sell this summer $10,000,000 to $15,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; The First Boston Corp.; Blyth & Co., Inc.

**Northern States Power Co. (Minn.)**
Jan. 19 it was announced company plans to issue and sell later this year $20,000,000 of first mortgage bonds due 1986. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey Stuart & Co. Inc.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Union Securities Corp. (jointly); Smith, Barney & Co.; Lehman Brothers and Riter & Co. (jointly); and Glore, Forgan & Co.

**Offshore Gathering Corp., Houston, Texas**
Nov. 18 David C. Bintliff, President, announced company has filed an application with the Federal Power Commission for a certificate of necessity to build a 364-mile submarine gas pipeline off-shore the coast of Louisiana from the Sabine River to the Gulf Coast of the State of Mississippi. It is estimated that this gathering system will cost approximately $150,000,000. Type of financing has not yet been determined, but tentative plans call for private sale of first mortgage bonds and public offer of about $40,000,000 of securities (probably notes, convertible into preferred stock at maturity, and common stock). **Underwriter**—Salomon Bros. & Hutzler, New York.

**● Pennsylvania Electric Co. (4/17)**
Dec. 19 it was reported company plans to issue and sell about $25,000,000 of first mortgage bonds. **Proceeds** — To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Equitable Securities Corp.; Harriman Ripley & Co. **Bids**—Expected to be received on April 17.

**● Pennsylvania Electric Co. (4/17)**
Dec. 19 it was reported company proposes issuance and sale of $9,000,000 of preferred stock early next year. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kuhn, Loeb & Co.; W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co.; The First Boston Corp.; Smith, Barney & Co.; Harriman Ripley & Co. Inc. **Bids**—Expected to be received on April 17.

**Pennsylvania RR. (3/13)**
Bids will be received by the company up to noon (EST) on March 13, at Room 1811, Suburban Station Bldg., Philadelphia 4, Pa., for the purchase from it of $7,560,000 equipment trust certificates, series FF, to be dated April 1, 1956 and mature in 30 equal semi-annual instalments from Oct. 1, 1956 to April 1, 1971, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

**Plantation Pipe Line Co.**
Dec. 19 it was announced that company may do some financing in 1956 in connection with its proposed expansion, costing about $23,500,000. **Underwriter**—Morgan Stanley & Co., New York.

**Portland Gas & Coke Co. (4/19)**
Feb. 24, Charles H. Gueffroy, President, announced that the company plans to issue and sell $16,500,000 of first mortgage bonds. **Proceeds** — To redeem $13,150,000 of 4⅛% mortgage bonds and for conversion to natural gas operation. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co.; Lehman Brothers and Blyth & Co., Inc. (jointly). **Bids**—Tentatively expected to be opened on April 19. **Registration**—Planned for about March 23.

**Puget Sound Power & Light Co.**
Feb. 15 the company announced that it estimates that its construction program for the years 1956-1959 will amount to $87,000,000, including $20,000,000 budgeted for 1956. This large expansion, the company says, can be financed wholly by debt and from internal sources. **Underwriter**—If determined by competitive bidding, may include Halsey, Stuart & Co. Inc.; The First Boston Corp.

**Sierra Pacific Power Co.**
Feb. 16 it was reported company is planning to offer 78,220 additional shares of common stock to its common stockholders on a 1-for-8 basis and 80,500 shares of new cumulative preferred stock (par $50) first in exchange for outstanding 6% preferred stock (which is callable at 115). **Underwriters**—May be Stone & Webster Securities Corp. and Dean Witter & Co. if exemption from competitive bidding is obtained.

**★ Southern California Edison Co. (4/17)**
March 2, R. E. Fife, Financial Vice-President, announced that the company plans to issue and sell $40,000,000 of first and refunding mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp. and Dean Witter & Co. (jointly); Kuhn, Loeb & Co. **Bids**—Expected to be received on April 17.

**● Southern California Gas Co. (5/23)**
Jan. 30 it was reported company plans to issue and sell $40,000,000 of first mortgage bonds. **Proceeds** — For reduction of bank loans and construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lehman Brothers, White, Weld & Co. and Union Securities Corp. (jointly). **Bids**—Expected to be received on May 23.

**Southern Counties Gas Co. of California**
Jan. 30 it was reported company may in the Fall offer $15,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane.

**Spencer Telefilm Corp., Beaumont, Texas**
Jan. 16 it was announced company plans to offer publicly to Texas residents 75,000 shares of capital stock. **Price**—$1.50 per share. **Business**—To produce, sell and

distribute syndicated films for television. **Underwriter**—Porter-Stacy Co., Houston, Tex.

**Stubnitz Greene Corp., Adrian, Mich.**
Feb. 1 it was announced corporation plans to offer rights to its common stockholders to purchase $1,000,000 of 5½% sinking fund subordinated debentures, 100,000 shares of 60-cent cumulative preferred stock, and warrants to purchase 60,000 shares of common stock at $8 per share in units of $250 of debentures, 25 shares of preferred stock and detachable warrants (good until March 31, 1961) to purchase 15 shares of common stock. The offering is to be made on the basis of one unit for each 100 shares held as of a date not yet determined. **Price**—$418.75 per unit. **Proceeds**—For expansion and working capital. **Office** — 404 Logan Street, Adrian, Mich. **Underwriter**—Golkin & Co., New York. **Registration**—Expected in very near future.

**Tampa Electric Co. (10/1)**
Feb. 18 it was reported company may issue and sell around Oct. 1, $10,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined at competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.; Goldman, Sachs & Co.; Kidder, Peabody & Co.

**Tennessee Gas Transmission Co.**
Jan. 28 it was reported company may later this year sell $50,000,000 of bonds. **Underwriters**—Stone & Webster Securities Corp., White, Weld & Co. and Halsey, Stuart & Co. Inc.

**Union Electric Co. of Missouri**
Feb. 15 it was reported company may offer in May $35,000,000 of first mortgage and collateral trust bonds. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Blyth & Co., Inc. and Union Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly).

**United States Envelope Co.**
Feb. 17 it was announced stockholders will vote March 9 on changing the authorized preferred stock from 80,000 shares (par $50) to 400,000 shares (par $10) and the authorized common stock from 160,000 shares (par $50) to 800,000 shares (par $10) in order to effect a five-for-one stock split-up; also on increasing the authorized common stock to 1,000,000 shares (par $10), all or a part of which are expected to be offered for subscription by common stockholders. The offering will be underwritten.

**United States Hoffman Machinery Corp.**
Jan. 30 stockholders approved a proposal increasing the authorized common stock from 1,250,000 shares to 3,000,000 shares and authorized 1,000,000 shares of class A preference stock (par $50). The new preference stock will be available for the company's diversification program. The company announced it has no present plans to issue any new stock. **Underwriter** — Hayden, Stone & Co., New York.

**Virginia Electric & Power Co. (9/25)**
Feb. 6 it was announced company plans to issue and sell $20,000,000 of first and refunding mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., American Securities Corp. and Wertheim & Co. (jointly); Salomon Bros. & Hutzler; Stone & Webster Securities Corp.; White, Weld & Co.; Union Securities Corp. **Bids**—To be opened on Sept. 25.

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*Continued from page 2*

# The Security I Like Best

1951, holdings of U. S. Government Securities and Canadian securities alone exceeded total current liabilities by a wide margin. Cash alone almost equalled current liabilities.

The company was incorporated in the State of Delaware on Sept. 5, 1919. The business was originally established in 1886. The company manufactures one product, Coca-Cola syrup, and sells one product, Coca-Cola, a carbonated beverage which is sold the world over, and is distributed throughout these United States. It is sold in bottle form, the famous 6½ ounce bottle, which, until the last year or so sold everywhere for a nickel. It is dispensed over-the-counter and through vending machines. Quite recently the company has arranged for packaging in cans for export to the armed forces. About 80% of the syrup manufactured in the United States is sold to some 1,100 franchised bottlers, who in turn supply "Coke" in the bottle form to outlets and vending machines, and the remainder is sold to jobbers who supply the fountains trade.

The results of the past five to ten years, as the pertinent statistics in Table I clearly reveal, explains why new major policies of operation were necessary. Since 1949, sales have increased but $14 million, or 6.3%, operating income has decreased $10 million, and the operating ratio has fallen 6%. During this period foreign sales have shown an increase, and it is now indicated account for about 30% of sales. The company exerted its influence on franchised bottlers to maintain its policy of one price, one product, one size for "Coke," and has absorbed some of the rise in manufacturing expenses which to a large extent accounts for the poor results of recent past years. It also explains the negative market action of the common stock from a high of 172 to a low of 100½. The solution to the problem was a new policy in keeping with changes in the industry. The following comparison in Table II with Pepsi Cola, which increased prices and embarked on a new merchandising program, is very illuminating.

New size bottles in the familiar Coca-Cola shape — 10 ounce, 12 ounce, and 26 ounce—are being offered in several test markets throughout the country in addition to the present 6½ ounce bottles to expand sales in the home market which presently accounts for about 25% of sales. The 10 ounce bottle is being introduced in the East for 35 cents for a 6-pack and the 12 ounce in the West for 42 cents for a 6-pack. The large 26 ounce bottle is being sold at two for 39 cents in the East and two for 35 cents in the Far West. Present indications are that the new bottle sizes are meeting with good response. Reliable estimates suggest a gallonage increase of 30% in many of the test areas. The long-term growth factors for the domestic consumption of Coca-Cola will almost certainly be accelerated by the introduction of the new bottle sizes. It is reasonable to think in terms of a 25% or better increase in sales by the 1957 season. Such volume could produce earnings of perhaps $8 to $10 per share.

The full scale exploitation of the vending machine market with outlets in factories, schools, amusement centers and other selected places by supplying necessary pre-mix equipment for the market is also a plus factor. In addition, by renegotiating present contracts with franchised dealers, the company can raise the price of its syrup. New management of the type of Mr. William E. Robinson, suggests that full advantage of the over-all economic position, as well as the corporate benefits of the new policy, will accrue to the holders of Coca-Cola stock.

Mr. Robinson in an address at a meeting of the New York Society of Security Analysts concluded his remarks as follows:

"As to the future of our sales curve, there is much to excite the imagination. We have done only a bit of what must and will be done with pre-mix and the new bottle sizes. In many of the big metropolitan cities, our sales are now only a fraction of what they should be. A big opportunity for us lies in the fact that nearly half of all bottled soft drinks sold in this country are either unbranded or have strictly local brand names with no particular reputation for quality and continuity. We believe that we can win over much of this segment of the market. Speaking of the United States as a whole, we find that our best customers in terms of number of drinks per capita per year are teen-agers and those in their early twenties. Within two or three years the postwar increase in the birth rate should give us many new drinkers of Coca-Cola in these age groups that are so important to us. And our sales in foreign markets show no signs of slackening in rate of growth.

"Our margin of profit as a percentage of dollar sales has declined substantially during the past 20 years. This was a perfectly natural result of higher income tax rates and increased cost levels without proportionately higher price levels. Our immediate objective is to increase sales volume, and in the process we hope to increase our profit margin, even though our advertising and promotion expenses will be higher. There is little hope that we will get any significant relief in the cost of sugar, the price of which is effectively controlled, within limits, by the government.

"Our annual dividend has remained at $5 a share for several years and I know that our board will give serious consideration to raising this level once our earnings justify it.

"We are still a single-product company in a sea of multi-product enterprises. We are not prejudiced against diversification, and in fact the liquidity of our balance sheet would not be a handicap in the event we should ever wish to add other products by way of merger or otherwise. We are testing other flavors of soft drinks in our laboratories, but that is nothing new — we have been doing it off and on, for years. However, we have no intentions of diversifying for the sake of diversification itself. So long as we have so many potential growth factors before us at present, we may not have time to think much of diversifying our business.

"It is a thrilling thing when no man I know, connected with our company or the whole Coca-Cola organization can see any end or limit to our growth, for Coca-Cola itself."

TABLE I

| Yr. End. Dec. 31 | *Net Sales | *Operating Income | Operating Ratio | *Net Income | Per Share | Div. Paid | Price Range High Low |
|---|---|---|---|---|---|---|---|
| 1955 | N.A. | N.A. | N.A. | †$28,000 | †$6.56 | $5.00 | 145 -125¾ |
| 1954 | $243,265 | $61,025 | 25.09% | 25,943 | 6.08 | 5.00 | 125¾-107¼ |
| 1953 | 251,238 | 65,714 | 26.16 | 28,209 | 6.60 | 5.00 | 125¼-107 |
| 1952 | 245,638 | 65,953 | 26.85 | 27,275 | 6.38 | 5.00 | 117¾-102 |
| 1951 | 225,654 | 64,029 | 28.37 | 26,124 | 6.11 | 5.00 | 132 -100½ |
| 1950 | 215,248 | 61,491 | 28.57 | 31,827 | 7.41 | 5.00 | 165 -112¾ |
| 1949 | 229,923 | 71,286 | 31.00 | 37,791 | 8.76 | 6.00 | 172 -124½ |
| 1948 | 234,922 | 65,235 | 27.77 | 35,594 | 8.22 | 5.00 | 183 -134¼ |
| 1947 | 179,270 | 58,404 | 32.58 | 33,022 | 7.60 | 5.00 | 191¼-141 |
| 1946 | 125,496 | 40,310 | 32.12 | 25,370 | 5.74 | 4.00 | 200 -130 |
| 1945 | 148,621 | 44,611 | 30.02 | 25,125 | 5.68 | 4.00 | 183 -130 |

*Thousands of dollars. †Estimated. N.A. (Not available).

TABLE II

| | Coca-Cola 1949 | Coca-Cola 1954 | Pepsi-Cola 1949 | Pepsi-Cola 1954 |
|---|---|---|---|---|
| | Thousands of Dollars | | Thousands of Dollars | |
| Sales | $229,923 | $243,265 | $45,631 | $74,200 |
| Operating income | 71,286 | 61,025 | 5,502 | 14,883 |
| Operating ratio | 31.0% | 25.1% | 12.1% | 20.0% |
| Net income | 37,791 | 25,943 | 2,135 | 6,212 |
| Stock price (12/31) | 165½ | 114¼ | 8½ | 18¾ |

# *Securities Salesman's Corner*

By JOHN DUTTON

## Don't Promise Too Much

Every personal relationship that is based upon confidence is very delicately poised. Faith, belief, assurance, can be established only through performance, past background, testimonials, recommendations and by direct contact which is of such a nature that a favorable impression results. Confidence is cumulative. It is created step by step and gradually. It can be destroyed in a moment. Let us be specific regarding these items:

PERFORMANCE will create confidence. You may receive a small order from a new account as his trial of your services and advice. If service is good, deliveries prompt, follow up by salesman is made on customer to see that he is satisfied, confidence is then created.

PAST BACKGROUND is helpful in establishing confidence. If a customer knows that you have been successful and connected with firms of good standing in your community, he will be more inclined to give you an opportunity to do business with him than if you are an unknown, or if you represent a firm that is new and untried.

TESTIMONIALS can be used at times with certain people and help to create confidence. They are particularly valuable if you can prospect in a specific industry, occupational group, club, or organization. Care must be used however in presenting letters of this nature because they are **obviously** an attempt to influence.

RECOMMENDATIONS are a very effective method of establishing confidence. If one satisfied customer sends you to a friend you have established at least 90% of the confidence you will ever require in doing business with such an account.

DIRECT CONTACT will create confidence if you conduct your first meeting with a new prospect in such a manner as to bring to his attention that you know your business. Concise answers to questions, also allowing your prospect to talk and, through the adroit use of questions if you are able to draw him out as to his investment needs, will build stature for you. No securities salesman no matter how glib he may be can build lasting confidence unless he himself knows his business.

### Advertising Can Boomerang

Business building advertising can sometimes offer so much service that in the minds of the customer they feel misled if it is not possible for the salesman or his firm to live up to some of the glowing promises.

This can be illustrated by a story I was told the other evening when visiting some friends. The people (a husband and wife) who were also guests and whom I had met for the first time, after they had heard I was in the investment business, told me the following unhappy story.

They were attracted to a certain firm by its advertising which, among other thngs, promised personal attention to the smallest accounts as well as the large ones. After making several investments they one day asked this customer's representative to buy them some stock in a leading steel company. Possibly with all good intentions, he told them he thought they could get this stock several points cheaper and that they should wait till it declined. Instead of declining in price the stock doubled and they never had a chance to buy it. They were not so much troubled by the loss of that opportunity (although no doubt it was a major factor in their discontent) but they told me that this firm didn't back up their advertising. They thought this customer's representative knew they were investors and were not interested in trying to pick up a few points in an intermediate market swing.

Originally they had been attracted to this firm by the suggestion in the advertising that they would have their account analyzed, their investment needs tabulated, and their purchases and sales would be based upon investment considerations and not the swings of the market as a determining factor.

If you are going to advertise personal attention to investors make certain your salesmen back it up. It is always dangerous to attempt to make market predictions for the short-term — this salesman meant well but his handling of this account was lax in these two respects.

## Semple, Jacobs Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Robert J. Zamen has become connected with Semple, Jacobs & Co., Inc., 711 St. Charles Street, members of the New York and Midwest Stock Exchanges.

## With King Merritt

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mo.—Ted Fearing, Jr. has joined the staff of King Merritt & Company, Inc., Woodruff Building.

## Frank E. Herma

Frank E. Herma, member of the American Stock Exchange, passed away Feb. 29.

# Indications of Current Business Activity

**The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:**

| | | Latest Week | Previous Week | Month Ago | Year Ago |
|---|---|---|---|---|---|
| **AMERICAN IRON AND STEEL INSTITUTE:** | | | | | |
| Indicated steel operations (percent of capacity) | Mar. 11 | §98.4 | *99.9 | 99.1 | 92.9 |
| Equivalent to— | | | | | |
| Steel ingots and castings (net tons) | Mar. 11 | §2,422,000 | *2,459,000 | 2,439,000 | 2,241,000 |
| **AMERICAN PETROLEUM INSTITUTE:** | | | | | |
| Crude oil and condensate output—daily average (bbls. of 42 gallons each) | Feb. 24 | 7,183,350 | 7,116,050 | 6,994,300 | 6,789,450 |
| Crude runs to stills—daily average (bbls.) | Feb. 24 | ¶8,084,000 | 7,989,000 | 8,057,000 | 7,673,000 |
| Gasoline output (bbls.) | Feb. 24 | 26,389,000 | 25,899,000 | 26,452,000 | 25,349,000 |
| Kerosene output (bbls.) | Feb. 24 | 2,555,000 | 2,723,000 | 2,707,000 | 2,550,000 |
| Distillate fuel oil output (bbls.) | Feb. 24 | 13,829,000 | 13,730,000 | 13,310,000 | 12,904,000 |
| Residual fuel oil output (bbls.) | Feb. 24 | 8,828,000 | 8,953,000 | 8,836,000 | 8,909,000 |
| Stocks at refineries, bulk terminals, in transit, in pipe lines— | | | | | |
| Finished and unfinished gasoline (bbls.) at | Feb. 24 | 193,988,000 | 189,428,000 | 178,947,000 | 181,310,000 |
| Kerosene (bbls.) at | Feb. 24 | 18,684,000 | 19,541,000 | 21,592,000 | 18,791,000 |
| Distillate fuel oil (bbls.) at | Feb. 24 | 74,330,000 | 77,850,000 | 89,161,000 | 68,731,000 |
| Residual fuel oil (bbls.) at | Feb. 24 | 37,102,000 | 38,203,000 | 38,351,000 | 45,652,000 |
| **ASSOCIATION OF AMERICAN RAILROADS:** | | | | | |
| Revenue freight loaded (number of cars) | Feb. 25 | 687,018 | 698,319 | 691,850 | 631,072 |
| Revenue freight received from connections (no. of cars) | Feb. 25 | 680,884 | 678,807 | 677,295 | 638,526 |
| **CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:** | | | | | |
| Total U. S. construction | Mar. 1 | $355,716,000 | $440,059,000 | $532,973,000 | $373,194,000 |
| Private construction | Mar. 1 | 256,368,000 | 292,854,000 | 401,599,000 | 225,019,000 |
| Public construction | Mar. 1 | 99,348,000 | 147,205,000 | 131,374,000 | 148,175,000 |
| State and municipal | Mar. 1 | 80,260,000 | 117,801,000 | 105,048,000 | 124,565,000 |
| Federal | Mar. 1 | 19,088,000 | 29,404,000 | 26,326,000 | 23,610,000 |
| **COAL OUTPUT (U. S. BUREAU OF MINES):** | | | | | |
| Bituminous coal and lignite (tons) | Feb. 25 | 9,970,000 | *10,050,000 | 10,420,000 | 8,800,000 |
| Pennsylvania anthracite (tons) | Feb. 25 | 572,000 | 506,000 | 580,000 | 568,000 |
| **DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100** | Feb. 25 | 97 | 95 | 94 | 93 |
| **EDISON ELECTRIC INSTITUTE:** | | | | | |
| Electric output (in 000 kwh.) | Mar. 3 | 11,199,000 | 11,277,000 | 11,540,000 | 9,727,000 |
| **FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.** | Mar. 1 | 293 | 230 | 273 | 222 |
| **IRON AGE COMPOSITE PRICES:** | | | | | |
| Finished steel (per lb.) | Feb. 28 | 5.174c | 5.174c | 5.174c | 4.797c |
| Pig iron (per gross ton) | Feb. 28 | $59.09 | $59.09 | $59.09 | $56.59 |
| Scrap steel (per gross ton) | Feb. 28 | $47.83 | $48.67 | $50.83 | $36.75 |
| **METAL PRICES (E. & M. J. QUOTATIONS):** | | | | | |
| Electrolytic copper— | | | | | |
| Domestic refinery at | Feb. 29 | 45.875c | 45.700c | 44.300c | 32.700c |
| Export refinery at | Feb. 29 | 48.700c | 46.175c | 45.350c | 35.575c |
| Straits tin (New York) at | Feb. 29 | 101.500c | 100.750c | 102.500c | 91.125c |
| Lead (New York) at | Feb. 29 | 16.000c | 16.000c | 16.000c | 15.000c |
| Lead (St. Louis) at | Feb. 29 | 15.800c | 15.800c | 15.800c | 14.800c |
| Zinc (East St. Louis) at | Feb. 29 | 13.500c | 13.500c | 13.500c | 11.500c |
| **MOODY'S BOND PRICES DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | Mar. 6 | 95.45 | 95.70 | 96.10 | 97.03 |
| Average corporate | Mar. 6 | 108.16 | 108.16 | 107.98 | 109.24 |
| Aaa | Mar. 6 | 111.81 | 111.81 | 111.62 | 112.37 |
| Aa | Mar. 6 | 110.15 | 110.34 | 109.97 | 110.70 |
| A | Mar. 6 | 108.34 | 108.16 | 107.98 | 109.60 |
| Baa | Mar. 6 | 102.80 | 102.80 | 102.80 | 104.48 |
| Railroad Group | Mar. 6 | 106.56 | 106.39 | 106.21 | 107.44 |
| Public Utilities Group | Mar. 6 | 108.52 | 108.52 | 108.34 | 109.97 |
| Industrials Group | Mar. 6 | 109.42 | 109.42 | 109.42 | 110.34 |
| **MOODY'S BOND YIELD DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | Mar. 6 | 2.84 | 2.82 | 2.79 | 2.72 |
| Average corporate | Mar. 6 | 3.27 | 3.27 | 3.28 | 3.21 |
| Aaa | Mar. 6 | 3.07 | 3.07 | 3.08 | 3.04 |
| Aa | Mar. 6 | 3.16 | 3.15 | 3.17 | 3.13 |
| A | Mar. 6 | 3.26 | 3.27 | 3.28 | 3.19 |
| Baa | Mar. 6 | 3.58 | 3.58 | 3.58 | 3.48 |
| Railroad Group | Mar. 6 | 3.36 | 3.37 | 3.38 | 3.31 |
| Public Utilities Group | Mar. 6 | 3.25 | 3.25 | 3.26 | 3.17 |
| Industrials Group | Mar. 6 | 3.20 | 3.20 | 3.20 | 3.15 |
| **MOODY'S COMMODITY INDEX** | Mar. 6 | 405.0 | 404.2 | 405.9 | 393.9 |
| **NATIONAL PAPERBOARD ASSOCIATION:** | | | | | |
| Orders received (tons) | Feb. 25 | 248,753 | 226,447 | 258,781 | 229,112 |
| Production (tons) | Feb. 25 | 291,984 | 291,777 | 296,802 | 259,007 |
| Percentage of activity | Feb. 25 | 100 | 99 | 102 | 95 |
| Unfilled orders (tons) at end of period | Feb. 25 | 499,696 | 545,180 | 539,461 | 387,743 |
| **OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100** | Mar. 2 | 107.07 | 107.00 | 107.09 | 107.18 |
| **STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:** | | | | | |
| Odd-lot sales by dealers (customers' purchases)—† | | | | | |
| Number of shares | Feb. 11 | 1,439,920 | 1,190,414 | 1,417,254 | 1,644,715 |
| Dollar value | Feb. 11 | $70,735,609 | $63,371,893 | $72,738,699 | $84,358,655 |
| Odd-lot purchases by dealers (customers' sales)— | | | | | |
| Number of orders—Customers' total sales | Feb. 11 | 1,195,972 | 966,395 | 1,091,669 | 1,488,175 |
| Customers' short sales | Feb. 11 | 6,396 | 4,666 | 5,401 | 9,051 |
| Customers' other sales | Feb. 11 | 1,189,876 | 961,729 | 1,086,268 | 1,479,124 |
| Dollar value | Feb. 11 | $60,075,471 | $51,163,343 | $54,863,089 | $70,812,044 |
| Round-lot sales by dealers— | | | | | |
| Number of shares—Total sales | Feb. 11 | 322,320 | 224,550 | 264,090 | 376,080 |
| Short sales | Feb. 11 | ------ | ------ | ------ | ------ |
| Other sales | Feb. 11 | 322,320 | 224,550 | 264,090 | 376,080 |
| Round-lot purchases by dealers— | | | | | |
| Number of shares | Feb. 11 | 522,180 | 534,450 | 586,540 | 552,910 |
| **TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):** | | | | | |
| Total round-lot sales— | | | | | |
| Short sales | Feb. 11 | 453,260 | 406,530 | 467,390 | 645,250 |
| Other sales | Feb. 11 | 10,247,870 | 9,821,460 | 12,333,000 | 17,468,910 |
| Total sales | Feb. 11 | 10,701,130 | 10,227,990 | 12,800,390 | 18,114,160 |
| **ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:** | | | | | |
| Transactions of specialists in stocks in which registered— | | | | | |
| Total purchases | Feb. 11 | 1,250,390 | 1,281,650 | 1,579,880 | 1,862,810 |
| Short sales | Feb. 11 | 243,000 | 200,540 | 224,210 | 355,610 |
| Other sales | Feb. 11 | 1,078,040 | 1,015,210 | 1,480,150 | 1,645,230 |
| Total sales | Feb. 11 | 1,321,040 | 1,215,750 | 1,704,360 | 2,000,840 |
| Other transactions initiated on the floor— | | | | | |
| Total purchases | Feb. 11 | 230,600 | 258,360 | 322,470 | 294,470 |
| Short sales | Feb. 11 | 31,000 | 28,550 | 20,730 | 15,000 |
| Other sales | Feb. 11 | 231,350 | 203,810 | 340,550 | 308,650 |
| Total sales | Feb. 11 | 262,350 | 232,360 | 361,280 | 323,650 |
| Other transactions initiated off the floor— | | | | | |
| Total purchases | Feb. 11 | 528,870 | 475,268 | 530,391 | 643,323 |
| Short sales | Feb. 11 | 87,630 | 93,280 | 95,940 | 112,040 |
| Other sales | Feb. 11 | 533,050 | 524,467 | 603,224 | 1,039,232 |
| Total sales | Feb. 11 | 620,680 | 617,747 | 699,164 | 1,151,272 |
| Total round-lot transactions for account of members— | Feb. 11 | 2,009,860 | 2,015,278 | 2,432,741 | 2,800,603 |
| Total purchases | | | | | |
| Short sales | Feb. 11 | 361,630 | 322,370 | 340,880 | 482,650 |
| Other sales | Feb. 11 | 1,842,440 | 1,743,487 | 2,423,924 | 2,993,112 |
| Total sales | Feb. 11 | 2,204,070 | 2,065,857 | 2,764,804 | 3,475,762 |
| **WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):** | | | | | |
| Commodity Group— | | | | | |
| All commodities | Feb. 28 | 112.1 | 112.0 | 112.0 | 110.1 |
| Farm products | Feb. 28 | 85.1 | 85.7 | 86.7 | 92.8 |
| Processed foods | Feb. 28 | 98.7 | 98.4 | 99.5 | 102.7 |
| Meats | Feb. 28 | 71.3 | 70.7 | 75.7 | 83.7 |
| All commodities other than farm and foods | Feb. 28 | 120.4 | 120.2 | 119.8 | 115.3 |

*Revised figure. ¶Includes 809,000 barrels of foreign crude runs. §Based on new annual capacity of 128,363,000 tons as of Jan. 1, 1956, as against Jan. 1, 1955 basis of 125,828,310 tons.
†Number of orders not reported since introduction of Monthly Investment Plan.

| | Latest Month | Previous Month | Year Ago |
|---|---|---|---|
| **AMERICAN IRON AND STEEL INSTITUTE:** | | | |
| Steel ingots and steel for castings produced (net tons)—Month of January | 10,811,000 | *10,503,519 | 8,837,736 |
| Shipments of steel products (net tons)—Month of December | 7,580,943 | 7,247,994 | 5,448,649 |
| **AMERICAN ZINC INSTITUTE, INC.—Month of January:** | | | |
| Slab zinc smelter output all grades (tons of 2,000 pounds) | 90,313 | 92,578 | 86,076 |
| Shipments (tons of 2,000 pounds) | 89,962 | 89,657 | 91,291 |
| Stocks at end of period (tons) | 41,330 | 40,979 | 117,152 |
| Unfilled orders at end of period (tons) | 60,717 | 72,908 | 57,421 |
| **ASSOCIATION OF AMERICAN RAILROADS—Month of January:** | | | |
| Locomotive units installed in service | 126 | 157 | 121 |
| **CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of February (000's omitted):** | | | |
| Total U. S. construction | $1,781,189 | $1,592,837 | $1,084,874 |
| Private construction | 1,243,797 | 866,820 | 673,128 |
| Public construction | 537,392 | 726,017 | 411,746 |
| State and municipal | 414,569 | 531,428 | 307,699 |
| Federal | 122,823 | 194,589 | 104,047 |
| **CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of Jan. 31:** | | | |
| Total consumer credit | $35,554 | $36,225 | $29,760 |
| Instalment credit | 27,724 | 27,895 | 22,436 |
| Automobile | 14,314 | 14,312 | 10,459 |
| Other consumer goods | 6,273 | 6,435 | 5,609 |
| Repair and modernization loans | 1,610 | 1,641 | 1,574 |
| Personal loans | 5,527 | 5,507 | 4,794 |
| Non-instalment credit | 7,830 | 8,330 | 7,324 |
| Single payment loans | 2,715 | 2,776 | 2,371 |
| Charge accounts | 3,355 | 3,797 | 3,225 |
| Service credit | 1,760 | 1,757 | 1,728 |
| **EDISON ELECTRIC INSTITUTE:** | | | |
| Kilowatt-hour sales to ultimate consumers—Month of December (000's omitted) | 43,653,831 | 41,688,008 | 37,092,518 |
| Revenue from ultimate customers—month of December | $712,806,000 | $681,561,000 | $644,528,000 |
| Number of ultimate customers at Dec. 31 | 52,558,601 | 52,457,432 | 52,214,559 |
| **FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of January:** | | | |
| Contracts closed (tonnage)—estimated | 405,263 | 367,827 | 241,373 |
| Shipments (tonnage)—estimated | 250,155 | 248,317 | 225,827 |
| **METAL PRICES (E. & M. J. QUOTATIONS)—Average for month of February:** | | | |
| Copper (per pound)— | | | |
| Domestic refinery | 44.588c | 43.749c | 32.700c |
| Export refinery | 45.822c | 45.562c | 36.235c |
| Lead— | | | |
| Common, New York (per pound) | 16.000c | 16.151c | 15.000c |
| Common, East St. Louis (per pound) | 15.800c | 15.960c | 14.800c |
| ‡‡Prompt, London (per long ton) | £119.375 | £118.568 | £103.669 |
| ††Three months, London (per long ton) | £115.423 | £116.500 | £103.475 |
| ¶Antimony, New York boxed | 36.470c | 36.470c | 31.970c |
| Antimony (per pound) bulk, Laredo | 33.000c | 33.000c | 23.500c |
| Antimony (per pound) boxed, Laredo | 33.500c | 33.500c | 29.000c |
| Platinum, refined (per ounce) | $103.000 | $103.560 | $78.545 |
| Zinc (per pound)—East St. Louis | 13.500c | 13.431c | 11.500c |
| ††Zinc, London, prompt (per long ton) | £100.405 | £100.835 | £89.456 |
| ††Zinc, London, three months (per long ton) | £96.375 | £97.659 | £87.531 |
| †Cadmium, refined (per pound) | $1.70000 | $1.70000 | $1.70000 |
| ‡Cadmium (per pound) | $1.70000 | $1.70000 | $1.70000 |
| §Cadmium (per pound) | $1.70000 | $1.70000 | $1.70000 |
| Cobalt, 97 | $2.60000 | $2.60000 | $2.60000 |
| Silver and Sterling Exchange— | | | |
| Silver, New York (per ounce) | 90.901c | 90.357c | 85.250c |
| Silver, London (pence per ounce) | 78.565d | 78.267d | 74.038d |
| Sterling Exchange (check) | $2.80645 | $2.80662 | $2.78360 |
| Tin, New York Straits | 100.745c | 104.820c | 90.835c |
| §§Tin—New York, 99% | 99.745c | 103.820c | 89.835c |
| Gold (per ounce, U. S. price) | $35.000 | $35.000 | $35.000 |
| Quicksilver (per flask of 76 pounds) | $267.583 | $273.040 | $322.000 |
| Aluminum, 99% plus ingot (per pound) | 24.400c | 24.400c | 23.200c |
| Magnesium ingot (per pound) | 32.500c | 32.500c | 27.000c |
| **Nickel | 64.500c | 64.500c | 64.500c |
| Bismuth (per pound) | $2.25 | $2.25 | $2.25 |
| **MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of Feb.:** | | | |
| Industrials (125) | 3.93 | 4.08 | 4.14 |
| Railroads (25) | 5.40 | 5.46 | 4.79 |
| Utilities (not incl. Amer. Tel. & Tel.) (24) | 4.59 | 4.62 | 4.40 |
| Banks (15) | 4.41 | 4.40 | 4.06 |
| Insurance (10) | 2.87 | 2.84 | 2.51 |
| Average (199) | 4.09 | 4.21 | 4.21 |
| **MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOTIVE MANUFACTURERS' ASSN.—Month of January:** | | | |
| Total number of vehicles | 690,253 | *799,092 | 725,379 |
| Number of passenger cars | 591,032 | *695,096 | 635,513 |
| Number of motor trucks | 98,968 | *103,586 | 89,676 |
| Number of buses | 253 | 410 | 190 |
| **NEW YORK STOCK EXCHANGE—As of Jan. 31 (000's omitted):** | | | |
| Member firms carrying margin accounts— | | | |
| Total customers' net debt balances | $2,822,402 | *$2,825,006 | $2,558,276 |
| Credit extended to customers | 36,145 | 33,755 | 41,649 |
| Cash on hand and in banks in U. S. | 363,436 | 341,506 | 356,480 |
| Total of customers' free credit balances | 904,642 | *894,009 | 1,039,011 |
| Market value of listed shares | 202,335,629 | 207,699,177 | 171,154,679 |
| Market value of listed bonds | 105,597,759 | 104,749,886 | 105,476,316 |
| Member borrowings on U. S. Govt. issues | 84,071 | 94,460 | 124,835 |
| Member borrowings on other collateral | 2,354,160 | *2,474,628 | 1,779,286 |
| **UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS—Month of December (000's omitted):** | | | |
| Exports | $1,387,000 | $1,308,800 | $1,318,200 |
| Imports | 1,050,646 | 1,064,200 | 942,300 |
| **UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):** | | | |
| As of Feb. 29 | $280,166,549 | $280,101,750 | $278,208,902 |
| General fund balances | 4,756,014 | 3,251,655 | 5,410,512 |
| Net debt | $275,410,535 | $276,850,095 | $272,798,390 |
| Computed annual rate | 2.499% | 2.495% | 2.311% |

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot, boxed. §§Price for tin contained. **F.o.b. Port Colburne, U. S. duty included. ‡‡Average of daily mean of bid and ask quotation at morning session of London Metal Exchange. ††Delivered where freight from East St. Louis exceeds 0.5c.

# Our Reporter's Report

Current indications are that industrial corporations may be expected to come into the capital market in a more aggressive way in the months ahead, judging by plans already announced by several such companies.

This week, for example, brought Fruehauf Trailer Co. into the market place for a total of $47.5 million of new money which it raised through the same of two issues of debentures.

**Already three more industrial firms have revealed their intentions of raising additional capital funds through the issuance and sale of new securities in a total of more than $228 million.**

Largest of the projected undertakings is that of Tide Water Associated Oil Co. which has gone into registration to cover $100 million of 30-year sinking fund debentures which should be coming to market within a fortnight or so, conditions being satisfactory.

**Meanwhile, Scott Paper Co. is preparing to file to cover about $98.7 million of convertible debentures to refund bank debt and finance contemplated expansion. And Whirlpool-Seeger Corp. is putting the finishing touches to its program for raising $30 million by the same of new debentures.**

So things are really looking up for underwriters who have had a rather lean first quarter to date, and they much prefer this business of the negotiated type to the so-called "suicide route," competitive bidding deals required for public utility and railroad financing.

### Buildup Is Welcome

The buildup going on in industrial financing plans is welcome for reasons other than the fact that bankers like this type of business but in addition, another contributing factor is that sans such undertakings, the calendar continues to be rather thin in other directions.

**Next week, however, brings a fair line of new prospects topped by one utility and one railroad offering.**

About midweek Missouri Pacific RR. Co., successor to the old firm which just closed out 23 years of receivership, will open bids for $23 million of notes. Alabama Power Co. will offer $14 million of bonds while Winn Dixie Stores will be marketing $10 million of debentures.

**The Westcoast Transmission Co., Ltd. financing, which will include $20,500,000 debentures, is expected to come to market the following week.**

### Issue Gets Good Reception

Although getting away to a rather slow start, Bell Telephone Co. of Pa.'s offering of $35 million of 40-year debentures gathered momentum quickly and sponsoring bankers were able to announce closing of the books by mid-afternoon yesterday.

Four bids were received for the issue with the successful group paying the company a price of 100.563 for a 3¼%. The syndicate priced the issue for reoffering at 101.123 for a yield of about 3.20%.

After a hesitant start, some of the major pension funds were reported to have come into the market for sizable blocks. Demand developed in the wake of the pricing of Houston Light & Power Co.'s offering to yield 3.19%.

### Calendar Growing

Announced plans and filings for new financing presage better business ahead for the investment banking fraternity, if as now appears likely, they all materialize.

Columbia Gas System's board has approved a proposed $40 million issue of new debentures to go into registration about the middle of next week, with bidding set for the second week in April.

**Meantime, N. Y. Telephone Co. is working on plans for offering of $55 million of refunding mortgage bonds, due 1986, for public sale, and 1.1 million shares of common to be offered to American Telephone & Telegraph Co.**

And Southern California Edison is setting up $40 million of first and refunding bonds for offering around April 17, to finance additions to plant.

### Harold B. Godsell

Harold B. Godsell, member of the American Stock Exchange, passed away on Feb. 27.

# Hornblower & Weeks Group Offers General Steel Castings Common

An underwriting group headed by Hornblower & Weeks yesterday (March 7) offered publicly 165,000 shares of General Steel Castings Corp. common stock ($1 par) at $34 per share.

The offering consists of 67,799 newly-issued shares being sold by General Steel Castings Corp. and secondary offerings of 67,201 shares being sold by American Steel Foundries and 30,000 shares being sold by Baldwin Securities Corp.

No part of the proceeds from the sale of 97,201 shares owned by American Steel and Baldwin will be received by the corporation.

General Steel will apply the proceeds from the sale of its 67,799 shares toward prepayment of 1963 maturities of its bank loan and the balance for advances to its wholly-owned subsidiary, The National Roll & Foundry Co., and for additional working capital of the corporation.

# Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Now is the time to bury for keeps any possibility of a tax cut being enacted at this session of Congress, barring only the possibility of a serious business turn-down before adjournment. Such a slump in business would, of course, touch off a stampede to cut taxes, but as the session goes into its third month, this looks less and less likely to happen.

This prospect against a tax cut holds true regardless if some of the neo-liberals of the Senate attempt to work this strategem and even if they should get it tacked onto the House bill continuing the present higher rates of excise and corporation income taxation. The House leadership will have none of it.

The resolution of the House leadership against a tax cut was taken when the House Ways and Means Committee reported out the bill for a one-year extension of the higher rates of tax. Had the committee majority (Democrats) apprehended that following the totaling of the April tax returns, the Administration might "discover" the possibility of the three to four billions of additional revenues necessary for a tax cut, the committee would not have given the Administration the tax rate extender bill so readily.

Either the committee would have delayed reporting the bill a couple of weeks more, or it would have given a temporary extension of two or three months. In this way the Democrats could have retained the initiative in tax cuts if the Democrats feared the White House was going to try to come out for a tax cut and get credit therefore, after it had extended the higher rates.

**The green light for the passage of the bill in the House was given by the leadership after George Humphrey, the Secretary of the Treasury, appeared in executive session and gave the most solemn assurances that the Administration would not come forward later in the session with a tax cut proposal.**

There is pretty general agreement with the prognostication that by this time next year the Treasury's current estimate for fiscal 1957 will be shy some three to four billions of actual revenue. "But that does not justify a tax cut this year," explained one high-placed Democratic leader.

### Nixon's Status Doubtful

The general feeling around the Capitol among Republicans is that there is more wishful thinking than accuracy in the reports of some of the daily newspaper boys that President Eisenhower is preparing to hoist Richard Nixon as the Vice-Presidential nominee for a second term.

**There is also agreement with the further diagnosis, however, that the President, regardless of what motives he had in mind in avoiding including Mr. Nixon in his bid for a second term, has done the Nixon candidacy no good whatever.**

It could be considered, old hands observe, that if Mr. Eisenhower wanted Mr. Nixon to run, it would have been entirely proper for the President to have expressed the hope that the Republican national convention would see fit to continue the entire leadership of the GOP ticket unchanged. A President has every right when his nomination is as much in the bag as is Mr. Eisenhower's nomination, to make known his wishes on the Vice-Presidential nominee.

### Opens Competition

In view of the known move of the White House politbureau to ditch Nixon, and their heavy backing by the neo-liberal elements of the party, the factual consequence of Mr. Eisenhower's action in specifically refusing to comment upon whether he again wants Mr. Nixon, is simply to clear the way for the anti-Nixon drive. In other words, the hoist-Nixon boys have got the green light to do their durndest. Likewise the other aspirants have some leeway to "let friends" come more into the open on their behalves.

**There are aspiring followers of Secretary Humphrey and former Governor Tom Dewey, as well as of Governor Christian Herter, who will be running around frantically to promote the candidacies of their champions, until and unless Mr. Eisenhower says it is going to be Nixon.**

### Have Faith in Ike

In spite of the doubt cast upon Mr. Nixon's status, not too many Republicans can bring themselves to believe that the President is prepared to ditch his Vice-President and precipitate a fierce intra-party row, the very kind of a row which it was sought to avoid by persuading Mr. Eisenhower to run again.

These men, some of them privately disappointed in Mr. Eisenhower's "forward-looking" policies, are prepared to accept the substance of the President's explanation for withholding his views on Mr. Nixon at this time. This explanation was in effect that it would be persumptuous of him to name his Vice-Presidential nominee.

**They consider that in view of Mr. Nixon's totally loyal support of the President's policies and of the President personally, and in further view of the President's unqualified praise of his Vice-President, it would be a breach of faith of which the President is not capable. At any moment he feels like it, the President can cut the ground from under the stop-Nixon movement. These Republicans, correctly or incorrectly, believe that when the President ascertains what damage he has done his stand-in, he will correct it promptly by making known clearly the fact that he wants Mr. Nixon as his running mate.**

### Legislation See Little Antitrust

Most observers seem to think that among the President's repertoire of anti-trust or anti-bigness proposals, about the only one which is rated as having a good chance of passage is his suggestion that all mergers which will result in companies having $10 million or more of assets shall be reported 90 days in advance of their consummation to the Department of Justice and the Federal Trade Commission.

Particularly they do not anticipate legislation aimed at cutting down the size of corporations.

**With the death of Senator Harley Kilgore of West Virginia, Chairman of the Senate Judiciary Committee, the whole campaign against business via the antitrust laws takes a definite set-back.**

Senator Kilgore, although a "liberal" Democrat, did not have the flare for shoving through legislation by the piece aimed at remedying this or that supposed evil, the method of Chairman Emanuel Celler (D., N. Y.) of the House Judiciary Committee.

Furthermore, the recommendations of the staff of the antitrust subcommittee of the Senate committee, of which the late Mr. Kilgore was also Chairman, had just about been completed upon the Senator's death. Now the whole question of what if any recommendations shall come forth from the monopoly subcommittee will await the installation of the new full and subcommittee chairmen.

### Eastland Is Conservative

Senator James O. Eastland (D., Miss.), who succeeded to the chairmanship of the Judiciary Committee, is as thoroughgoing a conservative as can probably be found in Congress. His conservatism is attested by two outstanding "liberals," Senators Wayne Morse of Oregon and Herbert Lehman of New York, both Democrats, in the unusual action they took in protesting the elevation of Eastland to the Chairmanship.

### Boondoggle Has A Silver Lining

Whether anything comes out of the lobbying and influence investigation in the way of legislation remains to be seen. It is possible that the special committee might clarify the laws relating to campaign contributions, but unless the solution has wide appeal, it will have a hard time stirring up House interest.

That is because the lobby investigation is strictly a Senate affair, touched off by the horrendous offer of a campaign contribution of $2,500 by an oil man to the Senatorial campaign of Francis Case (R., S. Dak.). Furthermore, to old hands the whole lobby investigation has all the earmarks of an old fashioned political boondoggle, which the boys and girls have seized upon to get out of other and harder work.

In other words, it is easier to roam around among the newspaper headlines with such trivial but readable copy as lobbying and influencing, than to haggle over such difficult problems as aid to education.

**About one thing it is sure: The more attention that is paid to this boondoggle, the less attention will be paid to the President's legislative program. The latter is long and expensive. Time is running out on this session, for pretty soon the wheels will grind to a stop from time to time as members slip away for primary campaigns in their own states. Then there is the Easter recess coming up the latter part of this month and the early part of April.**

The lobbying and influence boondoggle is taking Congressional time away from some of Mr. Eisenhower's legislative repertoire and so will save the taxpayers some money. That is the silver lining in this thing.

### Will Be Social Security Legislation

Even though almost all financially literate witnesses were horrified about the House-passed social security bill, there probably will be passed before adjournment some legislation further liberalizing social security benefits.

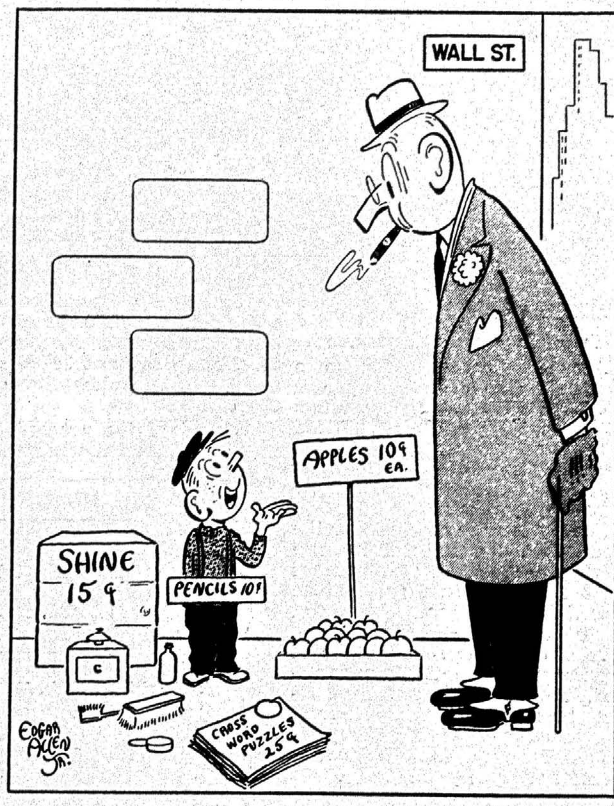
This bill makes women eligible for pensions at 62 and disabled persons eligible at age 50. On top of other Congressional distortions of the alleged "insurance" character of the "Old Age Insurance and Survivors" program, this will further hasten the day when the financial facts of life will catch up with this particular legal Ponzi game.

Probably a majority of the members of the Senate Finance Committee abhor this bill, which has lesser other features. However, the committee could not resist the pressure for it and forget the whole thing. They have to bring out a bill, they feel, for a social security bill has yet to fail in an election year.

**The best the Senate Finance Committee can do is to moderate the raid this bill will ultimately make upon the Treasury.**

*[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]*

## BUSINESS BUZZ




**"Same principle as the Mutual Funds — I've simply diversified my holdings!"**

## Business Man's Bookshelf

**Book Manuscripts** — Booklet CN describing publication, promotion and distribution of books—available on request — Vantage Press, Inc., 120 West 31st St., New York 1, N. Y.

**Dividends and Democracy**—Lewis D. Gilbert—American Research Council, Larchmont, N. Y. — cloth—$3.95.

**Savings Banks Fact Book: 1956**—Savings Banks Trust Co., 14 Wall Street, New York 5, N. Y. (paper).