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EDITORIAL

As We See It

The discount rate at the Federal Reserve Bank of New York now stands at 3%. Call loans now cost from 4¼% to 4½%. Time loans are at 4% to 4¼%. Commercial paper brings 3¼% to 3⅜%. Treasury bills have lately been placed to yield as much as 2.832%. High grade corporate bonds have been close to 3½% for some time. Yields on longer term Treasury's at well over 3¼% is no longer a novelty in the financial markets. Other rates are, of course, more or less in keeping. This state of affairs is being described as "tight" money, and a good deal of speculation is current as to what effect it is likely to have on business.

There can, of course, be no doubt that money is less plentiful than it was or that rates are definitely higher. It is natural enough for students of the outlook to inquire what these changes will or will not do to the state of current business. It is, however, important to keep these things in perspective. When that is done, one is not likely to suppose, as some now apparently do, that money is really scarce or money rates are really very high except in comparison with the course of these matters since the entry of Franklin Roosevelt into the White House.

The fact is that from the date of its birth until mid-1930, the discount rate at the Federal Reserve Bank of New York was never lower than 3%, and that figure was so seldom in effect that it might almost be called rare. Four and five per cent were not infrequent at all. Call loans are, as is well known, the most volatile of street rates, but as one runs his eye over the rates of the past, he is quickly brought to the conclusion that the

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Current SEC Developments

By J. SINCLAIR ARMSTRONG*

Chairman, Securities and Exchange Commission Washington, D. C.

SEC head presents current legislative, rule and form revisions, and agency administration, developments; disagrees with N. Y. Attorney General Javits regarding SEC role; reports opposition of NASD regarding enforcement-extension to 1,200 unlisted firms of the Act's financial reporting and proxy standards; and cites as the most significant step forward the use of summary prospectuses and pre-effective offers making new issue advertisements more informative. Mr. Armstrong approves: (1) recently revised proxy rules; (2) Klein bill enlarging civil liabilities of exempt offering; (3) new rule permitting non-profit groups to develop atomic reactors; and (4) a sound Statement of Acceleration Policy.

When I addressed the annual meeting of the Section on Corporation, Banking and Business Law of the American Bar Association on Aug. 23, 1955, I discussed in considerable detail the problems faced by the Commission in attempting to administer our rules under Section 14 of the Securities Exchange Act of 1934 in proxy contests for the control of the management of listed corporations. Proxy problems were uppermost in people's minds at that time because of a number of notable proxy fights and difficulties which the Commission had experienced in applying rules written in general terms for the typical uncontested proxy solicitation to the long drawn-out battles for corporate control.

J. Sinclair Armstrong

In that talk a year ago, I outlined revisions of the proxy rules to deal with proxy contests which the Commission was considering. In the months that followed, after receiving public comments and holding a hearing, the Commission

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*An address by Mr. Armstrong before American Bar Association Section on Corporation, Banking and Business Law, Dallas, Texas, Aug. 28, 1956.

The Practical Investment Aspects of Atomic Energy

By GEORGE M. GADSBY*

Chairman of the Board, Utah Power & Light Company

Appearance of advantageous investment possibilities in atomic energy within next decade is predicted by Utility executive who does not, however, see at this time atomic energy prospects offering capital stability or income consistent with the conservative needs of trust fund investments. In emphasizing how kilowatts or capacity kilowatt hours of generation offer cost figures little better than educated guesses, Mr. Gadsby refers to: costly atomic laboratories; enormous reactor testing station required by one gaseous diffusion plant with its limited output; theoretical and practical problems in substituting, for example, U235 for coal, and safety and other obstacles. Concludes ultimately atomic energy is a "must"; makes recommendations designed to expedite its development.

We have all seen enterprises performing a useful function or manufacturing a much-needed commodity pass out of the economic picture. In my own experience I have watched almost the inauguration of inter-city electric transportation lines which rapidly increased and spread until they pretty well covered the eastern part of the country. With the coming of automotive transportation the decline began and now an inter-urban line is about as archaic as a set of harness. Between 1900 and 1920 they were a good investment.

George M. Gadsby

Just as you must always keep in mind "What price progress," so you must studiously observe the initial development and the timing for investment in new enterprises. Pope's words ap-

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*An address by Mr. Gadsby before the 30th Western Regional Trust Conference, Salt Lake City, Aug. 24, 1956.

SECURITIES NOW IN REGISTRATION — Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 28.

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

General Industries Company — Morton A. Cayne, Syndicate and Buying Dept., Gottron, Russell & Co., Inc., Cleveland, Ohio. (Page 2)

The Kendall Company—John P. Murray, Investment Counsel, Boston, Mass. (Page 2)

MORTON A. CAYNE
Syndicate and Buying Department
Gottron, Russell & Co., Inc.
Cleveland, Ohio

General Industries Co.

In a recent Associated Press release, it was reported that last year the plastics industry turned out consumers products valued at $1,800,000,000 and is expected to pass $2 billion this year. The report stated 1955 production to be 1,784,650 tons compared with 409,010 tons produced 10 years ago.


Morton A. Cayne

General Industries Co. of Elyria, Ohio presents a very successful operation with an unlimited growth potential and a review of the past 10 years of this company evidences such thinking. In searching for the important leaders in the plastics industry, General Industries leaves nothing to be desired. Headed by President Allan W. Fritzsche, native Clevelander, this company has outstanding dynamic and aggressive management. The engineering department has an enviable record for solving problems presented by manufacturers desiring to use plastics instead of metal, particularly for appliances.

Sales in 1955 were at a new record, exceeding $23.5 million, resulting in earnings for the common of $6.54 per share. The common dividend totalled $2.25 compared with $1.60 paid the previous year. (Present regular rate $1.40.)

Founded 53 years ago, General Industries molds plastic products for countless manufacturers which even includes the automotive field where plastics are used in dashboard trim. Others include radio and television cabinets and trim, telephone cradles and many applications in the electrical appliance industry. More than 45% of GI's business is from plastics. The company also makes small AC and DC electric motors, ranging from 1/40 to 1/1100 horsepower. The DC motor is sold to the automobile industry for heaters, defrosters, window lifts, seat adjustment and air conditioners. The AC motor is used in phonographs, television, projectors, fans and pumps.

While GI operates plants at Elyria, Bellville and Marysville, Ohio, a wholly-owned subsidiary (General Industries, Inc. of Conn.) producing phonograph and recording needles and textile pins is located at Putnam, Conn.

At year-end 1955, the company had current assets of $6,158,492 and current liabilities of $2,908,430. Total liabilities were but $200,000 more, represented by a bank loan at the time. Capitalization consists of 2,469 shares of a 5% cumulative $100 par preferred stock and 180,940 shares of $4 par common.

General Industries has paid a dividend on the common stock in each of the past 16 years and in the last 10 years the book value of the stock has increased from $13.69 to the present $33.96.

First half earnings in 1956 were adversely affected by the reduced production of automobiles. Earnings reported were $2.37 compared with $3.79 in 1955. Unfortunately, new contracts for plastics obtained from Westinghouse and Frigidaire in this same period came too late to offset the reduction in income. Management is most confident that earnings for 1956 will compare very favorably with income for last year.

Currently selling at approximately six times 1955 earnings, GI common appears attractively priced. Trading in the Over-the-Counter Market, range for last year was a high of 48 and low at 35. In view of the demonstrated and continued potential growth of General Industries, I feel it is the security I like best at this time.

JOHN P. MURRAY
Investment Counsel, Boston, Mass.

The Kendall Company

This company is mistakenly considered by many as a textile issue. However, nearly a third of the company's total sales consists of health products such as hospital and consumer surgical dressings and related products. Another 20% consists of textile products such as gauze and cotton for sanitary products, gauze diapers and other nursery products and gauze sold to other surgical dressings manufacturers, all of which products are much less subject to cyclical fluctuations than the textile phase of the business.


John P. Murray

The company's products are well known and are merchandised under such trademarks as Curity, Bauer & Black, Blue Jay and Curad.

Despite the fact that last year was a period of depression for the textile industry generally, this company managed to earn $3.59 a share as against $4.07 in the preceding year. Results for the 24 weeks to June 16, 1956 were equal to $2.17 against $1.80 a share in that period of last year. Capitalization consists of $9 million 3⅝s due 1975, owned by three insurance companies; 35,311 shares of $4.50 cumulative preferred and 1,015,000 shares of common stock. The common stock is traded "Over-the-Counter" but listing on one of the major Exchanges is not a remote possibility.

The value lying behind this stock is much greater than would appear at a casual glance. The 1955 year-end report showed a book value of $42.12 a share.

However, the actual book value was much greater as is made clear through official statements published by the company, as indicated by the portions in quotation marks:

"The gross book value of fixed assets at the close of 1955 was $41,163,000, while the net amount after depreciation and obsolescence was $20,467,000. The insurable value of these properties is in excess of $100,000,000."

Now, if we assume, inasmuch as the properties have an insurable value of "in excess of $100,000,000," that their real value is a minimum $100,000,000, that would mean a value of $79,533,000 greater than that at which they are carried on the company's books. That is equal to an additional $72.10 a share and would bring book up to $114.22 a share.

The company also officially has stated:

"Not reflected in the working capital figures is the current replacement value of inventories which was nearly $12,000,000 greater at the end of 1955 than their book value on a LIFO basis."

This additional value which lies behind the stock, but which is not obvious at a quick glance, is equivalent to another $10 a share. It would bring actual book, therefore, up to $124.22 a share as against the $42.12 a share as stated in the year-end balance sheet.

The annual "cash inflow" of the company is quite satisfactory. The company has gone in heavily for research and has stated "an increasing number of new products have been developed in the last five years reflecting heavier expenditures for research and engineering development, inaugurated in the early postwar years. Steadily increasing expenditures for personnel and related operating expenses have averaged more than $1 million annually since 1950.

In other words, the company has spent an annual average of approximately $1 a share since 1950 in research, which cannot help but be beneficial, even though results are not immediately apparent.

On top of these research expenditures, the company depreciates fairly heavily, with such charges against depreciation amounting to $1,488,000 last year. This is equivalent to $1.31 a share. If we are to assume that these research expenditures could in effect be considered a part of "cash inflow" that expenditure, coupled with the depreciation results, added to the $2.64 a share earnings reported, in effect meant a total annual "cash inflow" of $5.95 a share last year.

The company is in a line of business which should prove relatively depression-proof, and to an increasing degree, as a result of stepped-up research efforts. With sales showing a steady uptrend, the stock should over a period of time show worthwhile appreciation, bearing in mind that it does seem reasonably valued from the standpoint of earning power and is now available at about one-third of real value, while meanwhile a return approximating 5% is available from present levels, on the basis of the $2 dividend rate now in effect. Kendall Co.'s stock is sold "Over-the-Counter" and which to me seems attractive as a common stock of semi-investment calibre.

Corporate Finance Developments: Characteristics and Changes

By CHARLES C. GLAVIN*

Vice-President, The First Boston Corporation

Prominent investment banker points up the "myriads of variations that exist both in the make-up of securities and in their use," and strongly questions preemptive rights today in explaining the difference between theory and practice, and in contending that the small stockholder is best protected by straight cash offering to the general public. Mr. Glavin discusses: (1) increased use of unsecured debentures and protective limitation-features dealing with dividends, funded debt, sale, leaseback and sinking-fund; (2) subordinated and subsubordinated characteristics; (3) development of complicated preferred and junior preference stock changes with provisions not too dissimilar from debenture indentures; and (4) why bonds today command high initial call price and/or noncallable features. Offers three actual experiences to illustrate different financing practices for different purposes.

C. C. Glavin

Embarking on the subject of corporate financing is like approaching a huge smorgasbord—its hard to know where to start and the very devil to know when to stop. Consequently, I am going to make no attempt to cover the field but rather devote my time to discussion of various characteristics of certain securities and present practices in their use. To the extent that I omit subjects of interest to you or touch on matters deserving fuller comment, I'll rely on you to pursue them.

Please realize at the outset that I must generalize. Modern securities and their applications have as many variations as there are colors in a rainbow. Thanks to the imagination of both investment bankers and corporate lawyers over the years we have a great flexibility in creating securities custom-made for the purpose at hand.

Increased Use of Unsecured Debentures

Perhaps the most significant development in the realm of debt securities is the increased use of unsecured debentures instead of mortgage bonds, particularly in the industrial field. Mortgage bonds are still predominant in the utility field, and for two reasons. First, most utility companies already have bonds outstanding under a mortgage indenture so it's no problem to continue issuing additional series under the same mortgage. Secondly, the direct seizure of property upon default of the bonds, which is the purpose of a mortgage, is meaningful, in theory at least, since a utility property with its franchise is a monopoly and is entitled under law to earn a fair rate of return. An industrial plant is far more dependent on management and other factors, so seizure of fixed assets isn't as meaningful.

Creating a new mortgage is both complex as to the indenture and expensive in practice. For example, the mortgage must be recorded in county court houses, and this gets to be quite a problem for widely scattered properties. As a result corporations have turned to the use of unsecured debentures where possible. Even utilities have used them for senior financing when there isn't a mortgage already outstanding, as in the case of a number of subsidiary operating companies of the Bell System. The unsecured debenture is not necessarily a weaker instrument, however, as proper provisions can give it a priority position that is the equivalent for all practical purposes of a mortgage bond. Foremost of these is the so-called "negative pledge clause." This simply prohibits the securing of any other debt without equally and ratably securing the debenture, thus effectively blocking off any other creditor from getting in ahead. Even here, however, certain exceptions are often permitted, the size and nature of which vary with the business problems that may be faced and with the credit standing of the company. An example is the right to acquire new property subject to a mortgage, but only in limited amounts and subject to certain tests. This type of exception is in the spirit of sound financing in that it gives the borrower reasonable freedom of action to carry on the business without at the same time impairing the basic elements of the security contract he entered into.

Other Protective Debenture Measures

The extent of other protective provisions depends on the credit standing of the issuer—or put another way, how much he has to agree to, to sell his debenture. Du Pont or General Electric or others like them can sell debentures on a simple promise to pay interest and principal at maturity. Most debentures, however, have some restrictive provisions. A common one is a limitation on ad-

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*A lecture by Mr. Glavin before the 6th annual Forum on Finance, American Stock Exchange, New York City, Aug. 21, 1956.

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*See "Chile's Climactic Struggle for a Free Economy" on page 4.

†Column not available this week.

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Chile's Climactic Struggle For A Sound Economy

By A. WILFRED MAY

Mr. May reports on Chilean "sound money" Finance Minister's current severance from his post, following courageous adoption of inflation-curtailing measures. Cites re-emerging inflation elements, economic nationalism and under-industrialization, and the need for courageous remedial policies, however unpopular. Analyzes legal provisions for foreign capitalists, including copper firms.

SANTIAGO, Chile—The current head-chopping of the Finance Minister here demonstrates the inclusion of Chile with the nations struggling against political obstacles to sound finance. For Senor Herrera has served as the President's hatchet-man in acting forthrightly in taking the actual unpopular measures necessary to end the inflation—as the Latin American Erhard of President Adenauer's Germany.

A. Wilfred May

The venerable President of Chile, Don Carlos Ibanez del Campo, per an interview with this writer, with all possible fervor "favors" making all moves "possible" for a free economy. But we must remember the basic fact of political-like that having held office since 1952, he must next year face Congressional elections followed by a Presidential election, all participated in by the opposing Radical Party, equivalent to U. S. middle-of-the-road Democrats, and 26 other aggressive parties—thus here again motivating the substitution of a political economy for an economic policy.

The Previous "A for Effort"

Preceding his political demise, the Finance Minister managed materially to slow down the country's inflation, which had got quite out of hand midst a wild building boom. Effective measures adopted since last February included raising the rediscount rate, otherwise restricting credit, increasing the sales tax rates, controlling and freezing prices, freeing the peso, and stabilizing wages.

Indicating the over-all curtailment of inflation, the price level has risen by only 16.9% during the first seven months of 1956. It had gone up by 70% during 1954, and by 94% more during the single year 1955, with a strong acceleration during the latter months of the year.

But inflation assuredly remains a real threat. The above-described curbing of wage rises, which had been exactly pegged to the price level, was effected by a mere one-vote majority after a long struggle. And subsequently, wage stabilization is again running into increases and family allowances by employers.

And the subsidy on wheat is again to be raised.

Keeping within the realistic possibilities, the maximum aim is to keep wage rises down to one-half the gap created by rising prices; that is, to smoothe out the price-wage-inflation spiral by *gradually* narrowing the gap between wages and prices.

Rampant Monetary Inflation

Another remaining potent inflation element is constituted by the expansion of money in circulation; which currency, of course, has been inflationarily created to meet the increasing deficits in the national government's budgets. Between the end of 1947 and 1951 the note issue of the Central Bank doubled, and from 1951 to 1953 it doubled again, to 19.9 billion pesos. It rose again anew to 28.2 billion by 1955, and to a fresh peak of 53.7 billion by June 1956.

In Chile as in other South American countries the army constitutes another major political obstacle to budget balancing. The national defense needs, accounting for 25% of the current budget, could be materially reduced by courageously cutting army down to size—possibly by putting real defense needs into the hands of Inter-American defense organization or NATO.

Pro-inflationary again is the agitation which is afoot here to increase pension fund allowances. Sizable amounts of the retirements have been utilized for borrowing by the Treasury. One might admit the contention voiced in high quarters that this process is not inflationary because of the origination of the funds from the people's real savings. But in any event the *economics* of the technique are indisputably bad in view of the savings being used for the meeting of current expenses rather than for fulfilling the urgent needs for capital investment.

Tax Policy and the People's Voice

Taxation represents another budget area here too where the obstacle of politics must be met head-on. Recently a newly proposed tax law, which would to some extent have remedied existing insufficiencies, was defeated in a legislature geared to "the voice of the people."

Serving to unbalance the budget, despite forecasts of balance exhibited to legislatures, is the proclivity to add in expense items after the original estimates. Thus for the current 1956 year, the *cognoscenti* expect the preliminary estimated balance at 170 billion pesos to be upset by a net deficit of 12 billion pesos arising from subsequently added expenses. This gives a quantitative measure to the fiscal heroism required.

Indicating the public's anticipation of continued inflation are the high interest rates, as 15% on prime risks, a rate much higher than is available from equity capital.

Overhanging Welfare State-ism

The past galloping inflation transpired in a framework of Welfare State-ism, which the Finance Minister's tragic exit would seem to render difficult to keep sublimated. The government is committed to numerous subsidies, including sugar and wheat. State institutions operate power, railroads, communications, oil, antibiotics, etc.

There is a liberal sprinkling of autonomous and "semi-official" institutions. The State Bank of Chile, organized in 1953, four official institutions, the National Savings Bank, the Mortgage Credit Bank, the Agricultural Credit Bank, and the Industrial Credit Institute. The Central Bank, in addition to acting as the sole depository of Treasury funds and of the official and semi-official institutions, is the only savings bank.

Economic Nationalism—Under-Industrialization and Foreign Investment Law

Generally blocking progress toward a free dynamic economy has been economic nationalism contributing to marked under-industrialization, resulting in generally high costs and inadequate productivity and with major deficiencies in the agricultural area.

Unfortunately foreign capital investment is still hindered in some directions. It is true that a decree of early 1955 lowered the tax on foreign copper companies, and Anaconda is negotiating to spend $34 million for development, Kennecott Copper $25 million, and an American Smelting Company subsidiary another large sum. But even this ameliorating decree maintains a 50% basic tax, with an additional 25% surtax which is adjusted downward in correlation with increases in production.

And whereas copper as well as all other foreign companies may, under a 1954 law revision, repatriate without limit all interest and profits earned, the pull-out of the capital invested is limited to 20% annually.

Thus, in this area too, political sentiment constitutes a threat to the indispensable encouragement to foreign investment, such as is offered in Venezuela, Uruguay, or Panama.

Another Single Product Country

Accentuating the need for sound policies is the country's great dependence on the world position of a single product. For receipts from copper totaled 66% of the value of all exports last year. Concurrently, the value of exports of other commodities declined, with an over-all net increase of 17.7% in total exports.

The above-cited decline in non-copper exports is said to be due to an over-complicated note exchange system lacking the flexibility required by the rise in production costs coincident with the monetary inflation. So the need for a healthy export situation, based on balance between domestic costs and external prices, accentuates the urgency for fearless politics—embracing the constructive measures required for economic stabilization.

* * *

Hence—In the light of her coming year of political contests, the political direction of the economy in Chile must be watched both as to the welfare of this specific country, as well as its universal implications.

F. I. du Pont Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Thomas P. O'Neil has been added to the staff of Francis I du Pont & Co., 121 Southeast Second Avenue.

Bonds and Interest Rates

By ROGER W. BABSON

Nationally known financial advisor offers bond-buying advice to different income groups, and predicts: (1) investor interest in bonds will grow; (2) continued weak bond market; (3) credit tightening and money rate rise by monetary authorities to wait until after the November elections; and (4) not to count on long-term Governments showing any sustained strength.

Recently, monetary authorities have tightened their controls again, bringing about a further decline in bond prices. I forecast that these authorities — so long as business remains good — will maintain a firm rein on credit. The trend for bond prices has been down for 20 months. That is the primary reason why I have advised and still advise the average investor to buy only short-maturity bonds.

Roger W. Babson

Bonds Will Again Become Popular

Investor interest in bonds has increased somewhat in recent weeks as uncertainties have crept into the outlook for common stock prices and as yields from the most popular common stocks have become quite low. These stocks could be particularly vulnerable in any important market correction. I predict that investor interest in bonds will grow.

As I view the monetary and business situation this fall, I foresee a continued weak bond market. The monetary authorities will have to contend with possible upward price pressure arising out of the steel wage settlement; but nothing radical will be done until after the elections in November. Certainly, nothing will be done before then to harm business.

Government Bonds

Do not count on long-term Government bonds showing any sustained strength. After the elections the money managers may have to fight higher prices by again slightly tightening credit terms and raising money rates. I assume that bankers — who are mostly Republicans—do not object to higher money rates.

I would caution the average investor against buying long-term Government bonds with any thought of profits. As with other bond groups, I urge investors to confine the major portion of their purchases to intermediate and short-term Government issues. Only for death-tax purposes should one build a backlog of those long-term Treasury issues which are always worth par for payment of estate taxes. This means one should not pay more than par for them. Remember, however, that the interest received from Government bonds is subject to Federal income taxes.

Corporate Bonds for Insurance Companies

The difference in yields between high-grade corporate and Government bonds in a given maturity is now relatively small. However, I question whether even insurance companies should buy so heavily into the corporate field as into Governments. Unlike the individual investor who maintains a balanced fund of bonds and stocks, insurance companies, particularly life companies, must spread maturities and include some long-term bonds, including AAA utilities and rails. Colleges, hospitals, and funds not subject to taxation can well consider good corporate bonds. However, I think such buyers should put more of their bond funds into utilities and industrials than into rails.

Bonds for Ordinary Investors

The average investor to whom yield is important would be justified in putting a small part of his bond funds into medium-grade utility and industrial issues. On long-term issues of such bonds, he can now obtain a yield of about 3.75% on rails, 3.59% on industrials, and 3.62% on utilities. But at these yields, I prefer non-taxable bonds, such as municipals and high-grade revenue issues for those who are in the high tax brackets and who do not worry about marketability.

I would recommend that purchases of medium-grade corporation bonds be confined to first-mortgage issues. Medium-grade bonds are influenced in price movement by what happens in the stock market. In no case should the average investor place any of his funds intended as a nest egg for later purchase of stocks in other than short-term high-grade issues, even though he may have to make some sacrifice of yield.

Convertible Bonds

Ordinarily, I like to recommend convertible bonds to my readers; but in view of uncertainties in the stock market it is questionable whether very many purchases in this field should be made now. Again I recommend to individuals — good short-term tax-exempt bonds.

F. S. Yanlis Co. Elects New Officers

CHICAGO, Ill.—F. S. Yantis & Co., Inc., 135 South La Salle Street, members of the Midwest Stock Exchange, announce that Fredric B. Welch has been elected President of the company, and F. Stuart Yantis has been elected Chairman of the Board of Directors.

Two With R. D. Standish

(Special to The Financial Chronicle)

BOULDER, Colo. — L. Dean Duncan and Wilfred E. Platt are now associated with R. D. Standish Investments, 1227 Walnut Street.

With Spencer Trask Co.

(Special to The Financial Chronicle)

CHICAGO, Ill. — Howard W. Seibert has become associated with Spencer Trask & Co., 135 South La Salle Street. He was formerly with Francis I. du Pont & Co.

Rogers & Co. Opens

PITTSBURGH, Pa.—William C. Rogers has opened offices in the Law and Finance Building to conduct an investment business under the firm name of Rogers & Co. Mr. Rogers was formerly with Langley-Howard, Inc.

Two With Bache & Co.

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Mrs. Betty Keeler and Phyllis J. Ross have joined the staff of Bache & Co., 445 North Roxbury Drive. Mrs. Keeler was previously with Daniel Reeves & Co.

Two With White, Weld

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—John R. O'Shea and Konrad F. Schreier have joined the staff of White, Weld & Co., 523 West Sixth St. Mr. O'Shea was previously with Francis I. du Pont & Co.

Link-Belt Company

By IRA U. COBLEIGH
Enterprise Economist

Conveying some current information about this distinguished specialist in power transmission and the handling of materials.

This piece started from curiosity. Out in front of 19 Rector Street, New York, they're building a new 10-story air conditioned annex. As is common, in all such constructions, there are dozens of "sidewalk inspectors" watching, first the big burrowing excavation and, later, the shell of the building as it rises, girder by girder. Among these "inspectors," include your reporter. Holes in the ground don't interest us much, but when, overnight, there materialized at the edge of the street curb, a shiny brand new red and black crane, mounted on a self-propelled ten wheeled chassis, we were fascinated. We wanted to know more about it so we watched, and asked. We watched the boom, built like an elongated hinged, box kite, as it was hoisted into the air. It looked to be about 80 feet long when the first red girder was attached to the hoisting hook. Slowly, day by day, the box like skeleton of the building materialized with girders, upright and then transverse, and floor by floor, being fastened into place by riggers whose aerial dexterity makes Tarzan look as agile as Tony Galento.

Ira U. Cobleigh

But I disgress. It was the machine we were talking about. It has 2 identical 145 H.P. Waukesha engines (easily inter-changeable right on the job), one to drive the outfit over the road at speeds up to 30 M.P.H., and the other to operate the hoisting gear which, when hooked up to a short (40 ft.) boom, can lift 35 tons vertically. With a 110-foot arm, it drops a 2 ton "I" beam into place as deftly as an expert flycaster. That is, it did that, under the skilled guidance of the jovial hoisting engineer who knows just how to deploy the rig by manipulating the four controlling hydraulic levers. The guy was a bit of a joker, too, as each lever looks exactly like the one that operates a beer tap; and on each one, he had fastened an official tap label — Pabst, Schaefer, Ballantine and Rheingold! The guy is a member of Local 14 International Union of Hoisting Engineers. It requires $500 initiation fee to enter this quite exclusive club of technicians, and the base wage is a modest $4.02½ an hour; with double that for all overtime. The machine which started off all this is called a Zephyrcrane. It costs $58,000 and it's made by Link-Belt Company, which upon investigation, proves to be a most unique and excellent enterprise. Let's look at it.

Because Link-Belt produces nothing that is sold in department stores or super markets, or that is advertised over TV, you may not have heard very much about it. But in its own particular field of endeavor, serving construction, heavy industry, metals, mining and oil, it's an acknowledged leader; and among the very few industrial companies in any line that has earned a profit in 49 out of the last 50 years.

The growth and present magnitude of Link-Belt deserve some comment. The company showed net sales of $22.9 million in 1939; $61.6 million in 1946. The equivalent figure for this year should exceed $160 million, thanks, in part, to the acquisition (in exchange for 134,433 shares of Link-Belt common) of Syntron Corporation, with a $12 million gross derived from manufacture and sale of industrial vibrating equipment, power units and tools, and concrete equipment.

An important ingredient in the sustained success of Link-Belt in the traditionally cyclical field of capital goods, is the fact that it has offered a steadily broadened line of products to serve the special needs of a great variety of companies and industries. For example, in power transmission, it offers roller and sprocket chains and chain drives, couplings, pulleys and gears. Link-Belt machines can crush, screen, and size materials of all sort, and convey them efficiently, and in great volume. Foundry equipment and processing machinery are supplied; and for heavy construction of every variety, and for road work; there also are assorted cranes, draglines, shovels, derricks and hoists — portable and otherwise. Link-Belt also delivers, for the transportation industry, and car dumpers and unloaders, icers and grain unloaders. There is also a line of water treatment and sewage handling equipment.

An important thing to remember about Link-Belt is that its forte is not in turning out a standard line of mass produced items such as tractors, or lawn mowers, but in custom engineering. Almost 55% of its total sales come from manufacture and delivery of installed equipment, especially engineered and designed to meet the particular, and sometimes unique, needs of a given customer. For example, belt conveying is seldom identical. Either a broader belt; a different grade or pitch to the installation, or higher or lower power and speed requirements are met in each new sales solicitation. Link-Belt is big enough and flexible enough to tailor to such diverse specifications. Moreover, new and improved products are being introduced by an extensive research program, and capital expenditures running around $2 million a year.

Link-Belt management appears to have been uniformly good, as may be illustrated by the fact that the company has averaged about 10% in pre-tax margin for the past decade. The sales backlog at 6/30/56 was 50% larger than a year earlier, and earnings for this year should run above $6.00 a share. For the first quarter alone, the net was $1.31 per share, against 81¢ in the similar period in 1955 — and on a lesser amount of outstanding stock.

About capitalization, it couldn't be simpler, merely 1,829,779 shares of common. No preferred, no bonds, and no bank loan. Financial position is marvellous with a 4-to-1 current ratio and net working capital alone equal to about $28 a share.

Link-Belt is further distinguished by virtue of its constancy of dividends. For 50 years LKB has unfailingly paid a cash dividend; and there was a 2-for-1 split in March, 1951. The present dividend rate is $2.40 and the company paid a 60c year-end extra in 1955. Such an extra, or a larger one, could easily be delieverd this year on the basis of fine earnings and sturdy cash register position. The common is listed on the N.Y.S.E., where it is currently selling at 70 to yield 4.30% (assuming a $3 dividend). Dividend payouts have been averaging about 55% of net.

Nineteen plants, including three in Canada, and one in South Africa, turn out the diverse products, which are distributed through 54 offices in the United States, and a number abroad. There are 10,500 employees and 8,300 stockholders.

The position of Link-Belt in heavy industry is probably as favorable today as at any time in the company's history. The backlog has already been mentioned, but as every one knows, there is a terrific industrial drive on for lowered costs, automation, and machinery to reduce or eliminate labor. This major trend is right down Link-Belt's alley. LKB has the tradition, the engineering staff, the resources, the plant facilities and the reputation for turning out tailor-made cost-reducing machinery — to meet hundreds of special requirements. Stockholders in this enterprise can feel some confidence in their investment, since all the company has to do to increase sales volume and earning power is to continue "doin' what comes naturally."

Detroit Bond Club Schedules Fall Outing

DETROIT, Mich. — The Bond Club of Detroit will hold its annual Fall outing and golf party at the Orchard Lake Country Club on Tuesday, Sept. 18. The day will be devoted to golf, tennis, swimming and other activities, to be followed by dinner at 7 o'clock.

The party is restricted to members of the Bond Club only.

Victor F. Dhooge, Manley, Bennett & Co., is President of the Club and Cecil R. Cummings, Chairman of the Entertainment Committee.

Calif. Investors Add

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Franklin G. Rothenbush has been added to the staff of California Investors, 3932 Wilshire Boulevard.

The State of Trade and Industry

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

In a resume of our country's trade conditions this week, Dun & Bradstreet, considered the nation's leading credit agency says:

Although steel production continued to gain this week, slight decreases in the output of coal, electric power, automobiles, and paperboard resulted in a mild decline in the over-all level of industrial production. Unemployment claims declined for the sixth successive week to the lowest in nearly a year. Employment and wages remained at peak levels.

Automobile production sagged to the lowest level in 22 months, down 26% from a week ago, 41% below a year ago. Most of the week-to-week drop was attributed to plant shutdowns for model changeovers.

Steel production rose fractionally and was slightly higher than a year ago. Steel operations were at 97% of rated capacity. Although electric power production dropped 4% from the preceding week's level, it remained 4% above a year ago. Gains from a year ago in power consumption ranged from 2% in the South Central area to 12% in the Rocky Mountain states.

Crude oil production was high and steady at a level about 5% above a year ago, roughly the same rate of gain that has been maintained in the past several months. Lumber rose 4% this week, but remained slightly below a year ago. Lumber orders dropped, too, although shipments were up. Paperboard production dropped 5% below a year ago. Although unfilled orders for paperboard decreased markedly, they were close to 60% larger than production.

Contract awards for civil engineering construction soared this week, were almost twice as large as both a week ago and a month ago. At $616.6 million for the week ended Aug. 30, awards were the third highest this year. The cumulative total for awards in the first 35 weeks of 1956 is 19% above the corresponding year-ago level.

Food output dipped slightly this week with small seasonal declines in the output of meat, flour, and dairy products.

"Steel" Views the Outlook for the Industry

High activity in the last months of the year should bring metalworking sales to $138 billion in 1956, compared with $129 billion in 1955.

The weekly metalworking publication, "Steel," reported Sept. 3 that no major labor problems are in sight for the remainder of the year. However, a shortage of steel will hamper some operations.

Steel-consuming industries will fare about this way:

Autos—Watch for 1.8 million cars to be produced in October, November and December, bringing total production for 1956 to 6 million autos (2 million less than last year).

Construction—Industrial, commercial, institutional and road building should push totals to $44 billion plus in 1956, compared with $43 billion last year.

Freight Cars—Deliveries will hold at between 5,000 to 5,500 a month for the rest of 1956. Shortage of plates will limit car-builders.

Aircraft — Sales of the 12 largest aircraft manufacturers should climb to $5 billion, compared with $4.9 billion last year.

Appliances—This year's good performance will continue in the last quarter. Total unit sales will match 1955's and 1957 will be good, too.

Machinery — Machine tool builders will receive $1 billion in new orders in 1956 and a last-period spurt may enable them to ship $850 million to $900 million worth of equipment for the year, compared with $670 million in 1955 and $892 million in 1954.

Electrical Machinery—Shipments this year are limited only by capacity in practically all lines. Look for much the same performance in 1957, too.

Farm Equipment—Volume for the year may rise as high as $1.4 billion, but that would still be under the totals in both 1955 and 1954.

Steelmakers will have enough orders to make a 114.5-million-ton year, according to the metalworking authority. If there hadn't been a steelworkers' strike, output would be above the record of 117 million tons set last year.

A 114.5-million-ton year means 64.2 million tons in the first seven months, 7.9 million in August, 10.4 million in September

Continued on page 26

A Word of Caution and Praise About Consumer Credit and Growth

By PAUL M. MILLIANS*
Vice-President, Commercial Credit Company, Baltimore, Md.

Praising "a phase of our economy that has shown one of the finest records under private management," despite its imperfections, Commercial Credit Vice-President sees no need for consumer credit controls, but does endorse objective and serious study of the need of government credit control. Mr. Millians refers to the newer thought of consumer debt's ability to generate its own means of payment; believes such debt is not out of line with the economy's expanding dimensions; points to a price inflation bite of $17 billion out of total $36 billion debt; claims, more so than ever before, it is a first class selling tool, making possible mass production; cautions against unwise competitive credit extension to poor risks; sees no limit to economic growth so long as austere credit viewpoints do not prevail.

I've never wanted to be a forecaster anyway, for it is a short and unhappy life at best; especially right now when both good and bad spots in the over-high-all economy, conflicting trends, have an increasing number of business observers perplexed over the future. More than in recent years the business outlook is many faceted, like a diamond reflecting various colors — each facet determined by the angle of approach.

Paul M. Millians

However, we should add that our best prophets on matters economic feel that there will be no growth or bunching of the bad spots sufficient to cause any serious trouble.

Though in the true sense of the word, "forecasting" will never be possible—and we say this despite an opinion to the contrary expressed by a distinguished forecaster, "Dizzy" Dean.

You remember back when St. Louis was to pay Detroit for the World Series, "Dizzy" told everybody that he and his brother, Paul, would win four games and the Cardinals would take the Series. "Dizzy" and Paul did and the Cardinals did; and when he was asked about it afterward, "Dizzy" said, "You can be a crystal ball gazer if you want to stick your neck out. If you know your onions you are bound to be right some of the time; and if you wurn't you just don't remind no one."

Nevertheless, we leave this year's forecasting to others and get to our topic.

As a talk pattern:

I should like to first speak with pride about consumer credit, more or less as background.

Then I should like to assemble a few statistics and some broken pieces of thought on growth of consumer debt, suggest a word of caution about consumer credit trends.

After this I want to share with you some of my hopes.

Beginning with the beginning, rather than to express my own prejudiced convictions on the proud place consumer credit occupies in the economy, as one speaker slipped up and said, "Take the word of someone who knows what he's talking about."

Witness for Consumer Credit

Paul Mazur, partner, Lehman Brothers, and author of the interesting and helpful book, "The Standards We Raise," is convinced that consumer credit, specifically instalment credit or what he prefers to call "fractional payments," ranks high as a device to improve material well-being and provide higher standards of living; and that only by use of such credit could we have built "the miracle of American production." Notable, too, is the testimony of William O'Neil, Chairman-President, General Tire and Rubber Company: I have heard him over the years say from a dozen platforms that, "Finding a way to give credit to the little fellow marks the difference between America and any other country in the world."

And while the idea has developed a considerable amount of "hen and egg" thinking about which comes first, production or consumption, which one makes the other one happen, some interpreters of the current scene contend that much of the present broad-based prosperity in this country is due to consumption coming first through use of consumer credit. Their reasoning is that buying into the future on time creates demand which in turn creates production and employment, and thus the income with which to pay the debt that started the production in the first place.

Comment on the Newer Thought

All agree of course that economic welfare depends upon both production and consumption, for it takes both to complete the economic cycle; they are reactions to each other. But the newer thought is that wide use of instalment credit in its variety of forms creates authentic purchasing power for its user before the actual fact of production has created the equivalent purchasing power through wages.

Any final answer on which comes first, production or consumption, we must submit for further debate by professional economists. But one we don't have to submit is the challenging and intriguing thought that consumer credit creates purchasing power for millions whether they have spot cash or not, and the tremendous force of this on consumption is undeniable.

Consumer Debt Arguments

Coming to the second part of our talk pattern, consumer debt:

Notwithstanding the proud place consumer credit occupies in the economy, there is much argument "about it and about": And if we may continue with a re-worked line from Omar, "some of the arguments come out at about the same door wherein they went."

Some are rational and objective; though earnest men using the same information differ widely on whether consumer debt is too low or too high in relation to something or other like Gross National Product, or disposable income, or a standard of living we all hope for and deserve. In this connection maybe there is some truth in the observation: "Economists, after all, are individualists; no economist feels that his findings should agree with those of any other economist."

Some arguments appear more emotional than objective. For example, opinions we've heard that a majority of Americans have become profligate spenders and apostles of the full use of their credit resources; and that we in consumer credit management have been guilty of high, wide and uncurbed neglect of sound credit principles.

We cannot venture far with an examination of these arguments: We do have time for these conclusions.

On the frequently discussed question of size of consumer debt:

Consumer Debt Not Out of Line

How do we measure high? Statistically we know that since 1940, the last normal pre-World War II business year, the total of consumer debt (exclusive of mortgage debt which belongs to another story) has multiplied nearly five-fold: $8 billion in 1940; $36 billion in 1956. On the other hand, we also know that the relative magnitude of today's consumer debt is not out of line with expanding dimensions of other measures of the economy; percentage-wise, today's consumer debt equals about 13% of the annual disposable income, the so-called "ability to pay" of consumers; and with all the talk we hear about "dangerous growth" of consumer debt, if we measure the $6 billion increase in 1955 against disposable income it amounts to only 2%.

And only relatively can we understand anything—in relation to size a mouse has more skin than an elephant.

$17 Billion Due to Inflation

Furthermore, when we condition our thinking to inflation a fact well known but not found in print often enough is that today's consumer debt of some $36 billion would be only $19 billion in 1940 prices: Put another way, of the growth of $28 billion since 1940, at least $17 billion, or around 62%, is due to higher prices.

But where are we with all the statistics of growth of consumer debt? The important question on whether consumer debt is "too high" is what's down underneath. Obviously if 99% of the individual transactions supporting total debt are sound, no total can be unsound.

We really know nothing until we know the breakdown of consumer debt throughout the population. What are the collateral values or other assets, the kind of employment and income back of individual transactions? With total debt of the individual and his living costs considered, are these together in some convenient proportion to earnings over a given period of time? Someone referred to this time factor, debt maturity, as "debt comfortably amortized," an important consideration in any debt structure.

We know very little about the breakdown of consumer debt. This very question is part of the "multi-pronged" study of consumer credit now being carried on by the Federal Reserve Board.

Moreover, statistical history offers poor contrast with today's use and promotion of consumer credit. The past is not present in the contemporary consumer credit picture. Let me elaborate briefly.

Competition and Credit

Reading a recent issue of "The Harvard Business Review," we came across a mouth-filling but meaningful term, "Innovistic Competition," and with this as a reminder we offer the thought that innovations and changes in production and distribution under pressures of competition have impelled a greater use of consumer credit than ever before.

American production has been constantly developing new products and bringing about a progressive obsolescence of old products to increase sales, or to keep sales up—products that are largely sold on some time-payment plan. You will think of a dozen such products—televisions; as late as 1946 only about 7,000 T.V. sets were sold, but in 1956 sales will be somewhere around a thousand times seven thousand, or seven million — in addition think of steel kitchens, deep freezers, washers and dryers, and a host of other new and improved products too numerous to even list.

More in recent years than ever before American distribution has found consumer credit to be a first-class selling tool; an opinion which finds support in some very first-class places: Not long ago "Fortune" Magazine in an article, "Why Do People Buy?" calls time-payment credit "the most persuasive element in distribution." Recently, "The Wall Street Journal" in a credit story carried the line "the miracle working sales wonders of instalment credit."

Therefore and therefore — in more recent years, far more than historically, credit sales have been extensively and aggressively promoted.

Revolving Credit Accounts

From its original area of consumer durable goods, instalment credit has spread to "revolving credit accounts," now widely used for time-payment buying of non-durables: From its original area of durable goods to all manner of goods and services—"Trip-Credit" cards, good in hotels, restaurants, even florists — hospital "Courtesy Cards" — home decorating and home repairs — art; art is now being sold on time in Taos, New Mexico—bulls; a cattle man in Louisiana plans selling $3,000-$4,000 bulls from his pure bred Santa Gertrudis herd on time, because as he says, "A lot of farmers would like to have one of these bulls but they just don't have the cash."

Even morticians are in the time-credit business: One in Los Angeles advertises, "Use Our Lay-Away Plan. Pay now. Go Later."

If there's any excuse for mentioning this "lay-away" plan, it is that nowadays with time-credit

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*An address by Mr. Millians before the 42nd Annual International Consumer Credit Conference, St. Louis, Mo.

Dealer-Broker Investment Recommendations & Literature

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

Atomic Letter (No. 20)—Comments on atomic food irradiation, British uranium buying in Canada, etc. Also available Atomic Fund's annual report illustrating atomic industry by means of color photos—Atomic Development Mutual Fund, Inc., Department C, 1033 Thirtieth Street, N. W., Washington 7, D. C.

Chemical & Pharmaceutical Industry—Report—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Department Stores—Analysis—Zuckerman, Smith & Co., 61 Broadway, New York 6, N. Y.

Fire & Casualty Insurance Companies—Operating results for first half of 1956—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Foreign Letter — Burnham and Company, 15 Broad Street, New York 5, N. Y.

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

Life Insurance Stocks as Investments—Study—Sidney S. Ross Company, 3070 Hull Avenue, New York 67, N. Y.—$1.50 per copy.

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.

Philadelphia Banks Stocks—Comparison of 12 largest Philadelphia Banks—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa.

Pocket Guide for Today's Investor—Pamphlet containing lists of selected securities for income, growth and trading—Harris, Upham & Co., 14 Wall Street, New York 5, N. Y.

Seasonally Favored Stocks—List of suggestions in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue are brief data on **Dayton Rubber Co., Federal Pacific Electric Co., Hoffman Electronics Corp., Pennsylvania Railroad Co., Spiegel, Inc., and U. S. Industries, Inc.**

* * *

Aircraft Radio Corporation — Report — Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Aluminum Goods Manufacturing Company—Analysis—In current issue of "Business and Financial Digest"—Loewi & Co., Inc., 225 East Mason Street, Milwaukee 2, Wis. Also in the same issue is an analysis of **Lake Superior District Power Company.**

American Cyanamid — Report — J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Atlanta Refining Co.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Bagdad Copper Corp.—Memorandum—A. T. Geyer & Hunt, 50 Broad Street, New York 4, N. Y.

Bank of America N. T. & S. A.—Memorandum—Walston & Co., Inc., 120 Broadway, New York 5, N. Y.

Bankers Trust Company—Report—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Capital Airlines, Inc.—Analysis—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

Cassiar Asbestos Corp., Limited — Report — Mitchell's Street Reports, 32 Davenport Road, Toronto 5, Ont., Canada—Annual subscription $50.

Eastern States Corporation—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on **Carrier Corp.**

General Public Utilities Corp. — Memorandum — Auchincloss, Parker & Redpath, 729 Fifteenth Street, N. W., Washington 5, D. C. Also available is a memorandum on **Hilton Hotels Corporation.**

Glidden Co.—Memorandum—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

W. R. Grace & Co.—Analysis—Amott, Baker & Co., Inc., 150 Broadway, New York 38, N. Y. Also in the same bulletin are data on **Armco Steel Corp., Bucyrus Erie Co., San Diego Gas & Electric Co., American Express Co.** and **Collyer Insulated Wire.**

Gulf Sulphur Corp.—Memorandum—Moreland, Brandenberger, Johnston & Currie, Bank of the Southwest Building, Houston 2, Texas.

Heywood Wakefield Company—Card memorandum—May & Gannon, Inc., 140 Federal Street, Boston 10, Mass.

Latrobe Steel Company—Analysis—Singer, Deane & Scribner, Union Trust Building, Pittsburgh 19, Pa. Also available are reports on **Edgewater Steel Company** and **Wyckoff Steel Co.**

Lone Star Brewing Company—Report—Muir Investment Corp., 101 North St. Marys, San Antonio 5, Texas. Also available is a report on **Frigikar Corporation.**

Lorado Uranium Mines, Ltd.—Data—Burns Bros. & Co. Limited, 44 King Street, West, Toronto 1, Ont., Canada. Also in the same circular is a review of the Canadian investment picture.

Mages Sporting Goods Co.—Memorandum—Arthur M. Krensky & Co., Board of Trade Building, Chicago 4, Ill.

McGregor-Doniger, Inc.—Analysis—Unlisted Trading Department, Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Montecatini Mining & Chemical Co. — Memorandum — Model, Roland & Stone, 120 Broadway, New York 5, N. Y.

Mountain Fuel Supply Company—Review—First Boston Corporation, 100 Broadway, New York 5, N. Y.

New Pacific Coal & Oils Limited—Bulletin—De Witt Conklin Organization, 100 Broadway, New York 5, N. Y. Also available is a report on **Goebel Brewing Company.**

Old Republic Life Insurance Co.—Memorandum—Fahnestock & Co., 135 South La Salle Street, Chicago 3, Ill.

Outboard Marine Corporation—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is a report on **Republic Natural Gas Company.**

Charles Pfizer & Co., Inc. — Analysis — Sartorius & Co., 39 Broadway, New York 6, N. Y.

Savannah Electric & Power Co. — Memorandum — Johnson, Lane, Space & Co., 101 East Bay Street, Savannah, Ga.

Southland Racing Corp.—Report—General Investing Corp., 80 Wall Street, New York 5, N. Y.

NSTA Notes

AD LIBBING

This week's tip of the hat goes to Arthur M. Krensky, A. M. Krensky & Co., Inc., Chicago, who has sent in an advertisement

Harold B. Smith

Arthur M. Krensky

for our NSTA Year-Book issue of the Chronicle for Mages Sport Stores of Chicago.

We will look forward to hearing from our membership about additional commercial advertising for the Year-Book.—KIM

HAROLD B. SMITH, Chairman,
National Advertising Committee,
c/o Pershing & Co., 120 Broadway,
New York 5, N. Y.

S. V. Walsh Appointed By Charles King Co.

S. Vaughan Walsh

MONTREAL, Que., Canada—S. Vaughan Walsh has been appointed sales manager for Charles King & Co., 455 Craig Street, West.

COMING EVENTS

In Investment Field

Sept. 14, 1956 (Chicago, Ill.)
Municipal Bond Club of Chicago 20th annual field day at the Medinah Country Club (preceded by a dinner Sept. 13 at the University Club of Chicago).

Sept. 18, 1956 (Detroit, Mich.)
Bond Club of Detroit fall outing and golf party at Orchard Lake County Club.

Sept. 20, 1956 (Des Moines, Iowa)
Iowa Investment Bankers Association annual field day at the Des Moines Golf and Country Club.

Sept. 27, 1956 (Rockford, Ill.)
Rockford Securities Dealers Association seventh annual "Fling-Ding" at the Forest Hills Country Club.

Sept. 27, 1956 (New York City)
Corporate Transfer Agents' Association 10th annual outing at Colonia Country Club, Colonia, N. J.

Oct. 4-6, 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 at the El Mirador Hotel.

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

Nov. 25-30, 1956 (Hollywood Beach, Fla.)
Investment Bankers Association of America annual convention at the Hollywood Beach Hotel.

April 21-23, 1957 (Dallas, Tex.)
Texas Group of Investment Bankers Association annual meeting at the Statler Hilton Hotel.

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

Consumer Durables and Credit and Economic Stability

By WESLEY C. BALLAINE
Director, Bureau of Business Research
University of Oregon

Oregon research director doubts we will curtail auto production and other consumer durables or limit financing available to consumers; finds financing is no serious hurdle and refers to plentifulness of funds in 1929-33 and 1937-38 on the supply side as compared to consumer lack of debt-willingness; believes limiting factor in cash and credit sales appears to be psychological attitude; and concludes the price we pay for growing importance of consumer durables, characterizing our rising standard of living, is its unstabilizing effect, stemming from such growth, despite discussion these days of built-in stabilizers. Mr. Ballaine finds business consumer investment comparable in many respects, except that business financing is largely by retained earnings whereas consumer investment is usually financed by instalment credit.

During the first half of 1956 we were acutely conscious of the fact that a decline in automobile production threatened to lower substantially the level of general business activity. Consumer installment credit frequently was blamed because, so the charge went, it permitted a part of the normal 1956 sales to be made in 1955. Now that a downturn from this cause seems unlikely to occur, it is appropriate to review the nature of the investment process by consumers in automobiles, as well as the relationship between fluctuations in new consumer installment debt incurred for the purchase of automobiles and automobile production. It appears that the year-to-year rate of production of the automobile industry is almost certain to remain unstable; moreover, it is the opinion of the writer that the degree of this instability is more likely to increase than to diminish. This conclusion may be generalized to include the production of all expensive durable consumer goods as well.

Wesley C. Ballaine

Consumer Investment Unstabilizing

Fluctuations in the general level of business and changes in the rate of investment are often associated in what many observers believe to be a cause and effect relationship. As here used, "investment" means the act by business firms of increasing their assets and not necessarily the purchase of a security by an individual or an institution because if the security purchased is part of an outstanding issue it will not result in additional assets.

It is perfectly correct to look upon the acquisition of automobiles and other expensive durable goods by consumers as a form of investment. We tend to think of investment only in terms of capital goods, but retailers, wholesalers, and manufacturers invest in inventories as well as machinery. If we accept the interpretation that there are many kinds of investment in the business world, we can easily find sufficient close similarities between some forms of business investment and consumer investment in durables so that they can be classed under the same heading. The fact that both forms of investment are made at irregular rates means that both may be unstabilizing.

The American household is becoming increasingly mechanized. The purchase of expensive equipment for home and family use appears to constitute investment in much the same way as does the purchase of agricultural equipment, office equipment or factory machinery. The gap between the purchase of equipment by a commercial laundry and the purchase of an automatic washing machine and dryer by a household is not great. Much the same argument can be made for privately-owned automobiles on the one hand and equipment of public transportation agencies on the other.

When we speak of under-investment or over-investment in the business sector of the economy, we do not concentrate on the financing aspects, we devote considerable attention to the "real" (that is, physical) process. But when we discuss investment by consumers in automobiles and other durables, attention is centered almost entirely on the financing side. Although the financing of consumer and business investment is basically the same it is true that there are differences, one being that much business investment is financed by retained earnings whereas a large share of consumer investment in automobiles and other durable goods is financed by installation credit, most of it involving a financial institution such as a bank or finance company. Yet business investment at present levels would also be impossible without financial institutions.

Concern relative to the growth of consumer installment debt should deal with the contribution it makes to the increased instability of our economy. We hear much these days about "built-in" and "automatic" stabilizers that tend to lessen the amplitude of business cycle fluctuations, and we may easily come to the conclusion that all structural changes in our economy are of that nature. But in the growth of consumer investment in automobiles and other durables, largely financed by installment credit, we have an unstabilizing force.

Installment Credit and Car Sales

The relationship between changes in the rate of registration of new automobiles and the creation of new installment debt to finance automobile sales is close. The coefficient of correlation between the two series is +.90 for the 28 months beginning with January, 1954 and ending with April, 1956. This high degree of correlation is a little surprising in view of the fact that the two series do not refer to exactly the same transactions; the installment debt series covers both new and used cars, whereas the registrations series covers only new cars. Moreover, any price change reduces the degree of correlation because it alters the amount of credit involved in selling the same number of new cars. This means that the period covered by a correlation study must be short enough to eliminate substantial price changes.

It will be noted that the series for automobiles is new registrations rather than production. This change results in a higher correlation because it eliminates a time lag between the production and the sale of cars and also eliminates variations in inventories of unsold new cars. It is believed that this shifting is defensible from a statistical point of view and will not bias conclusions about the relationship of automobile production and installment sales. It must be conceded that the popular view that the mass sale of consumer durable goods would not have occurred without the existence of consumer installment credit appears reasonable. This view is supported by the high correlation between credit extensions and new registrations and also by studies made by the Survey Research Center of the University of Michigan which show that about three-fifths of all new and used cars combined have been sold on credit terms in recent years. A little over half the purchasers of major household appliances use credit.

Regulating Consumer Credit

The desirability of re-instituting Federal regulation of consumer installment credit has had a prominent place in public policy discussion since it was proposed by Allan Sproul, President of the Federal Reserve Bank of New York, in December, 1955. Concern over the increase in consumer installment credit goes back to the mid-twenties, although it does appear that in the last couple of years it is being expressed by more competent observers than was previously the case. However, their reasons are often either not explicit or given in the most general of terms. The most common objection to the rise in consumer installment debt is that of the lack of ability by the debtors to pay if the level of business activity should decline. There are many possible answers to this point, one being the good record of installment credit in the past (no doubt due in part to the fact that the debtors pay installment contracts by not paying their unsecured debts—almost any doctor or grocer can verify this statement.) Another answer must be that in the minds of both the debtor and the creditor there will not be a substantial decline in the level of business.

Returning to the objections to the mushrooming growth of consumer installment credit, at more sophisticated levels concern is expressed about the possible results of a slight decline in income upon the buying decisions of people whose future income is already partly spoken for by installment contracts (the two minor recessions we have experienced since the end of World War II did not result in a general unwillingness of consumers to contract more debt, but then the downturns in 1948-49 and 1953-54 were not severe). A different point was made by Mr. Sproul who was concerned with the deterioration of installment credit standards which makes it possible to increase the sale of automobiles temporarily.

The sales of new cars and the creation of automobile installment paper rise and fall together in a very close association. Which one "causes" the other depends upon the length of time under consideration, but is uncertain at best. If it were not for the sale of cars, there would be no automobile paper, but the creation of new automobile paper at present levels is only possible because of the mass production of cars. However, now that consumer credit machinery has been developed to its present state, it appears that the sale of new cars is the current immediate casual factor and that the financing follows along more or less passively.

Financing Procedures Not the Cause of Instability

Purchases of automobiles and expensive durable consumer goods are acts that can be postponed or anticipated whether the purchase is made for cash or by means of credit. The limiting factor for both cash and credit sales appears to be the psychological attitude of the buyer, just as decisions for business investment depend on the psychological attitude of the businessman as he appraises the future. Economists associated with the finance companies say that declines in consumer installment credit outstanding during the downswing from 1929 to 1933 were not due to lack of funds on the supply side, but by a lack of willingness on the part of buyers to create a debt. The same was apparently true in the decline of 1937-38. There has been no decline of sufficient proportions since that time to test this view.

The production of automobiles and other expensive durable goods is such an important segment of our economy that instability has far-reaching effects. However, the purchase of these goods is dependent upon the attitude of the buyers because financing is no serious hurdle. The psychological attitude of a consumer is subject to rapid change, a factor making for continued instability in the rate of production of automobiles and other expensive consumer goods. It is true that an alteration in financing terms may change his attitude just as it will modify the attitude of a firm considering the acquisition of expensive machinery.

It seems to the writer that the continuing concern over growing consumer debt amounts to beating the wrong horse. The social problem involved is that automobiles and other expensive consumer durable goods are growing in importance and that their rate of production will vary due to changes in the attitudes of buyers just as the investment of business organizations varies. The assumptions in the preceding sentence regarding the growing importance of consumer durables and their wide fluctuation in rate of production over the business cycle is not developed in this article, but they seem to be generally recognized.

Conclusion

Since we consider the ownership of consumer durables on a mass scale to be an important criterion of a high standard of living, it is unlikely that our society will do anything, except in time of national emergency, to curtail their production either directly or by limiting the financing available to consumers to purchase them. Nevertheless, we pay a price for this aspect of our rising standard of living by increasing our economic instability.

Wm. H. Cole With Dick & Merle-Smith

William H. Cole has joined Dick & Merle-Smith, 48 Wall Street, New York City, the firm announced.

Mr. Cole was formerly an assistant vice-president of The Hanover Bank's personal trust department.

What Prediction Can Be Made From Dow-Industrial Stock Average?

By COMMANDER S. A. LOFTUS, U. S. N., RETIRED
Swampscott, Mass.

On the assumption that percentage changes in prices often repeat themselves and that price averages will continue to move in cycles, Commander Loftus states "the Dow Industrial Stock Average will probably decline 88% below 525, or to a price of close to 63 at the bottom of the next major bear market downswing." Article's objective is to help investor avoid bull and bear market extremism, and to aid in foretelling probable future percentage change in Dow prices. Believes a long-range view of the market indicates that the large rise of stock prices from 1952 to May, 1956, will probably be followed by a drastic bear market downswing.

The vast majority of the opinions expressed in the current issues of the nation's largest newspapers by Administration officials, corporation executives, financial commentators, and the advertisements of investment advisory services consist of very optimistic "predictions" for much higher stock prices based upon their forecasts of increased production, sales, profits, continued peace, and general prosperity.

S. A. Loftus

This psychology may be designated as the "Sky-Is-The-Limit" to stock prices, quite similar to the "New Era" school of thought which prevailed prior to the stock market crash in the Fall of 1929. And, furthermore, they prophesy that there will **never** be another depression in stock prices because the Government has the power—and will use it—to prevent such an unfavorable event.

In the face of these optimistic forecasts, wouldn't it be wiser and safer to ask; "What is the Dow-Jones Industrial Stock Price Average, itself, predicting?"

This study, whose primary objective is to answer the foregoing question, is submitted to the world of finance, not as a dogmatic, "fool-proof" method of "getting-rich-quick", but as a new avenue of approach to the difficult art of evaluating and predicting stock prices. In other words, it is presented as a helpful Service to investors, speculators and market students.

Principles Underlying This Study

The basic principle underlying this study is that this price Average shown on the accompanying chart will continue to move in cycles in the future as it has in the past of alternate major up and down swings. Long before security market students began to keep records of prices there were ever recurring cycles of business booms and depressions, and of commodity prices. A study of these cycles reveals that there have been 17 clear-cut completed business and four distinct commodity price cycles from 1795 to 1956, inclusive. Since 1896, when the existing Dow-Jones Stock Price Average was first calculated and compiled, to 1956, inclusive, there have been at least six completed major stock market cycles.

The second principle of this study is that it is based exclusively upon the **prices** of the Average, and not upon any economic data such as earnings, profits, losses, inflation, political considerations, peace, or war. This principle holds that **everything** that **everyone** knows about the thousand and one things that enter into or affect stock prices are reflected in those prices throughout their complete cycles.

Two possible contingencies may change our whole economic system in the course of the coming years. First, a disastrous World War III that could wipe out most of our existing material wealth if H-bombs were used, Second, a drastic Government managed inflation that would reduce the present purchasing power of our paper dollar to only 10 cents. In this latter case, a price of 500 for the Dow-Jones Industrial Stock Price Average would mean a decline of 90% Average from its existing price.

The third principle of this study is that it utilizes percentage changes of prices for purposes of comparison and prediction. One of the big advantages of using percentage price changes rather than the number of points is that all wise investors and speculators figure their profits or losses by its percentage of their invested capital.

It seems to me that all reliable predictions that the price of the Dow Industrial Stock Average will rise or decline a certain percent are based upon past performances. If cycles have been operating for over a century and a half, isn't it **probable** that they will continue to do so in the future?

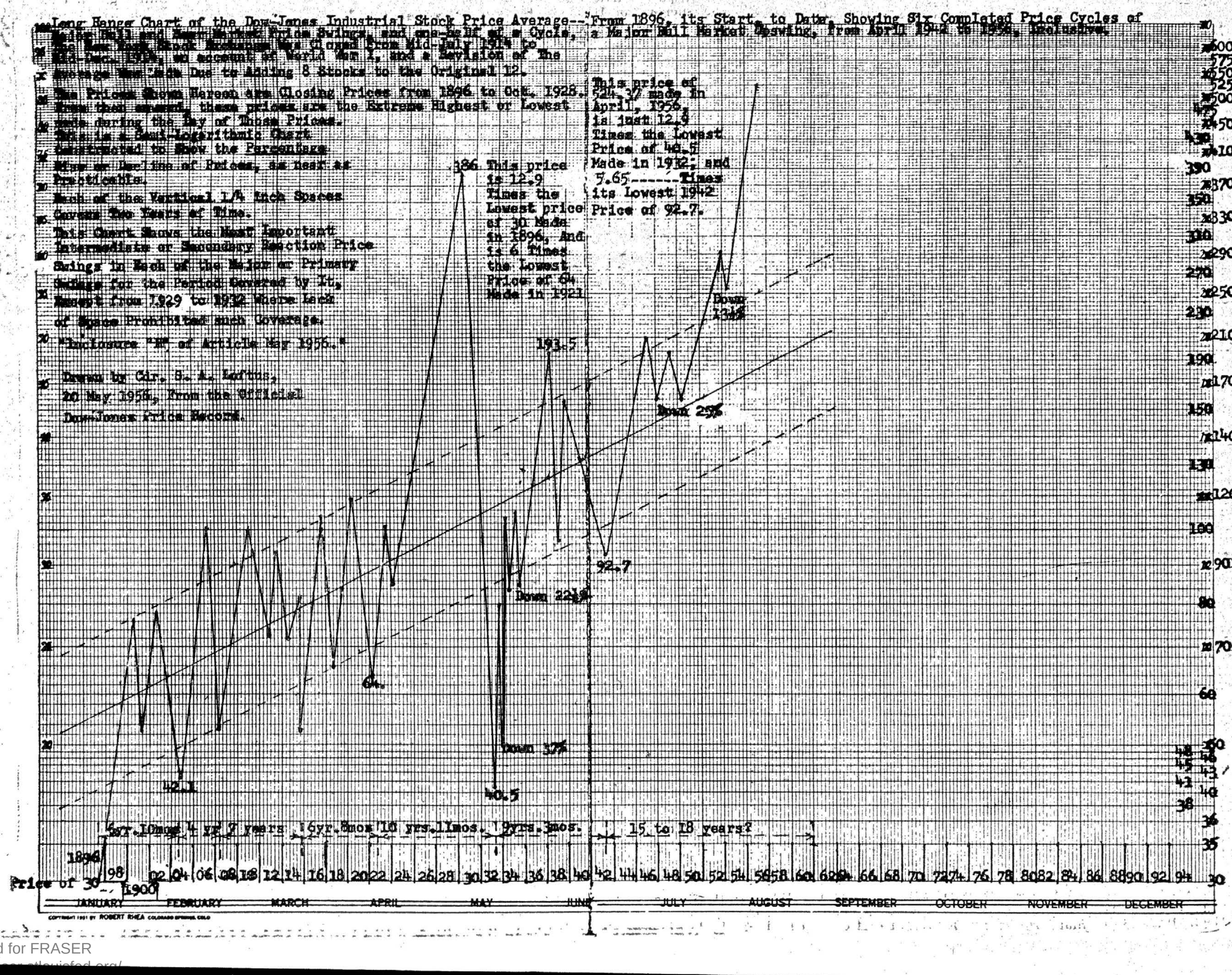
Immunize Investor From Extremism

The main objective of this study is to immunize an investor or speculator to the mob psychology of optimism which always prevails at or near the tops of major bull market price upswings; or the extreme pessimism which dominates the public at or near the bottoms of major bear market downswings of prices, thus enabling them to concentrate their selling at or near the tops of major price upswings, and their buying activities close to the bottoms of major price downswings, thus acquiring maximum profits with a minimum of risk.

One vitally important factor which enters into this study is the question as to whether or not the period from 1942 to 1956, inclusive, consists of just **one**, two, or three major bull market upswings of prices. My studies of the many articles, books, and security market advisory service letters indicate that practically all of their authors base their advice and conclusions on the premise that there have been at least two **completed** bull market price upswings of stocks since 1942; the first one having ended in May, 1946, followed by the one that ended in July 1948, and, therefore, they are of the opinion that the existing bull market price upswing started in June, 1949.

The record of the course of the price line on this 60-year chart reveals that for six completed cycles of major bull and bear markets, no major bear market has ever completed its course until or unless the price line has declined to such an extent as to either touch or penetrate the lower one of the three diagonal lines.

It is difficult to overemphasize the importance of the preceding points because, if a market student is wrong on the period of time a major market price swing has been running, how can he possibly make a correct evaluation of just



where the market is **today**, let alone predicting its future course?

A Close-Up vs Distant View

My experience has taught me that one way to avoid such errors is to study the market picture from a long-range point of view, visualizing its many primary and secondary price swings for the entire 60 years of its history instead of studying it so closely from day-to-day, month-to-month, or year-to-year, only. One valuable feature of the accompanying chart is that it enables a market student to acquire that broad perspective of the market.

Aside from being a fairly accurate record of the percentage change in prices for the major price swings of the Dow Industrial Stock Average, the most valuable feature of this study is that **of predicting** the **probable** future major percent change of prices for this Average. It seems that **two** factors govern the probable future percentage changes, up or down. The first of these factors is: how large these percentage changes in prices have been in previous major price swings, up or down. The second factor is: how many years of **accumulation** there has been at the immediately preceding major bear market bottom; or the period of **distribution** just prior to the most recent major bull market top.

A specific example to illustrate this point was the very long period of accumulation of securities by wise and powerfully rich investors and speculators from Oct. 1937 to April 1942, a period of over four years, which laid the extremely strong foundation for the major bull market rise in prices since then. A study of the chart reveals this point clearly.

How to Measure Cyclical Counter Pressures

The chart reveals the tremendous and irresistible counter pressures built up or generated in the market itself opposite to the prevailing price trend when prices range far above or below the diagonal lines, such as occurred during the years of 1929 and 1932. The force or power of these counter pressures may be measured by the distance of the price line above or below the upper or lower diagonal lines.

To further clarify the foregoing points I wish to cite the record of the Dow Industrial Stock Average on the chart which shows all the major bull and bear market price swings and most of the important secondary or intermediate reactions during these major price swings for a period of 60 years. The center one of the three diagonal lines registers the **average** increase of stock prices, while the upper and lower diagonal lines are drawn to show the approximate upper limit for the top of each major bull market and the approximate lower limit for the bottom of each major bear market.

Drastic Downswing Predicted

Whenever the price line rises an extraordinarily large distance above the upper diagonal line as it did in 1929, a corresponding decline occurs in the opposite direction below the lower diagonal line to correct the preceding rise. Reasoning from that premise, the extraordinarily large rise of the price line above the diagonal line which has occurred from 1952 to May, 1956, a period of about four years, the next major bear market downswing will probably be a very drastic one that will culminate far below the lower diagonal line.

A study of the price movement of this Average from 1896 to Sept. 1929, reveals that from its lowest price of 30 made in 1896, it advanced 12.9 times 30 to 386, its highest intra-day price made in Sept. 1929. Also, that from its lowest 1921 major bear market price of 64, it advanced to almost 6 times that price to 386. Continuing this line of study, it is a significant and almost uncanny coincidence that from its lowest intra-day price of 40.5 made at the bottom of the 1932 major bear market, this Average advanced to 524.37, its highest intra-day 1956 major bull market price to date of this study, May 1956, which is exactly 12.9 times that price of 40.5. Also, this price of 524.37 is very close to 6 times its 1942 lowest intra-day bear market price of 92.7; or 5.65 times to be exact.

Percentage Changes Repeat Themselves

This study reveals that although history does not repeat itself in terms of prices, *per se*, if often does so in terms of percentage changes in prices, up or down.

One big lesson that a market student may learn from this Dow Industrial Stock chart is the fact that prices can and do move down in a major bear market much more rapidly than they rise in a major bull market upswing. Note that in the three years from 1929 to 1932, inclusive, this Average declined below any previous figure since 1898, thus wiping out all the 31 previous years of rising prices. It is entirely possible that the past 22 years of rising prices **could** be wiped out in three years, also!

As far as my studies and experience extends in reference to the "time element," the period that any cycle or its two components of major up- and downswings will require for their completion are unpredictable. Therefore, this study is silent on making any scientific "predictions" as to just how long the next major bear market downswing for stock prices will last. This Dow Industrial Stock Average required eight years to complete its major bull market upswing from 1921 to 1929, but only four years and eight months for its next major bull market upswing from 1932 to 1937.

Dealing With Probabilities

Prior to writing down my opinion as to what the Dow-Jones Industrial Stock Average is "predicting," I wish to state that, in my judgment, no man or Average can make a prediction upon any future event, except in the science of astronomy, with 100% infallibility. Therefore, I wish to emphasize the word "probable" used in connection with the following "predictions."

If the strategy outlined in this study, together with its chart, had been available to an investor or market student in April 1942, he would have been justified in making this prediction at that time; "The Dow Industrial Stock Average will **probably** rise close to 500%, which would mean a price of approximately 555 at the top of the next major bull market stock upswing. In other words, its highest price at that time will probably be close to six times its lowest major bear market price of 92.7 then prevailing; and close to 12.9 times its lowest intra-day price of 40.5 in July, 1932." Its actual rise in April, 1956, was to a price of 524.37, missing the "predicted" price by 5%.

Eighty-Eight Percent Bear Market Decline Predicted

Utilizing this same strategy, an investor or market student would be warranted in making this "prediction" today (in May, 1956): "The Dow Industrial Stock Average will **probably** decline 88% below 525, or to a price of close to 63 at the bottom of the next major bear market downswing.

That, in my opinion, is the answer to the question; "What is the Dow-Jones Industrial Stock Price Average, itself, Predicting?"

It is about as certain as anything can be in this world that there is going to be another major bear market downswing of stock prices some time in the future, and, if, at or near the bottom of that bear market, the "prediction" just made materializes within 10%, then time will have proved the value of the principles and strategy described herein. Therefore, these same principles may then be used to "predict" what the probable future highest price of this Average will be at or near the top of the next major bull market upswing.

D. E. Walton With Municipal Secs. Co.

DALLAS, Texas—The Municipal Securities Company announces the association of D. Edward Walton as Manager of the municipal bond department. Mr. Walton, a native Texan, graduated from Texas Christian University and served as an Infantry Captain during World War II and the Korean War. Mr. Walton was previously associated with the Fort Worth National Bank as Manager of their bond department and more recently was Manager of the municipal department of Moroney, Beissner & Co., Houston. He is a past member of the Board of Trustees, Municipal Advisory Council of Texas.

D. Edward Walton

The investment banking firm, with offices in the First National Bank Building, Dallas, will conduct day to day trading operations in Texas municipal bonds, specializing in general market names and will maintain an adequate inventory at all times in order effectively to serve both buyer and seller, Mr. Walton said.

With A. C. Karr Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Finley A. Narmore has become affiliated with A. C. Karr & Co., 3670 Wilshire Boulevard. He was previously with Daniel Reeves & Co.

King Merritt Adds

LOS ANGELES, Calif.—Leroy H. Quackenboss has been added to the staff of King Marritt & Co., Inc., 1151 South Broadway.

Robt. Kullman Now O'Kane Partner

Robert N. Kullman, formerly with Carl M. Loeb, Rhoades & Co., has become associated with

Robert N. Kullman

John J. O'Kane, Jr. & Co., 42 Broadway, New York City, as a partner.

Mr. Kullman is the son of the late Philip C. Kullman, Jr. who was a partner in John J. O'Kane, Jr. & Co. for over 30 years. He was graduated from Iona College and began his career in Wall St. in 1950 with Carl M. Loeb, Rhoades & Co. Mr. Kullman was in the Naval Air Force and is a member of the Security Traders Association of New York.

F. Eberstadt Co. 25th Anniversary

F. Eberstadt & Co., 65 Broadway, New York City, is celebrating the firm's 25th Anniversary.

Continues Business As William H. Joyce Co.

Announcement is made of the dissolution of the partnership of Joyce, Kuehner & Co., effective Aug. 31. William H. Joyce will continue the business under the firm name of William H. Joyce Company, from offices at 29 Broadway, New York City.

Two With Lucas, Eisen

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — George D. Kaufmann and Lewis S. MacDonald have joined the staff of Lucas, Eisen & Waeckerle, Inc., 916 Walnut Street, members of the Midwest Stock Exchange.

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb.—Florence Gibbons is now with Hamilton Management Corporation, of Denver.

B. J. Van Ingen Makes New Appointments

B. J. Van Ingen & Co., Inc., 57 William Street, New York City, dealers in municipal bonds, have appointed David T. Guernsey Manager of the General Market Syndicate Department; Edwin F. Kezer, Manager of the New Jersey Bond Department; and Richard G. Murphy, Manager of the Trading Department, L. Walter Dempsey, President of the bond firm, announced today.

Mr. Guernsey has become associated with B. J. Van Ingen & Co. after a number of years with The First Boston Corp. where he specialized in revenue bond underwriting as a member of that organization's Municipal Bond Department.

Mr. Kezer has been a member of B. J. Van Ingen's New Jersey Bond Department. He is a Past President of the Bond Club of New Jersey and is at present a member of the Board of Governors of that trade group.

Mr. Murphy has been a member of Van Ingen's General Market Trading Department. He is a member of the Municipal Bond Club of New York and the Investment Association of New York.

Francis Abshire V.-P. Of Moroney, Biessner

HOUSTON, Tex. — Moroney, Beissner & Co., Bank of Commerce Building, announces that Francis I. Abshire has been elected Vice-President in charge of their Municipal Bond Department. Mr. Abshire was formerly with Lovett Abercrombie & Co. and J. R. Phillips Investment Co.

The firm will shortly remove their offices to new quarters in the Bank of the Southwest Building.

Edward Jones Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Hugh J. Hanna has become connected with Edward D. Jones & Co., 300 North Fourth Street, members of the New York and Midwest Stock Exchanges.

Joins Westheimer Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Mrs. Geneva A. Klomann has been added to the staff of Westheimer and Company, 322 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Banking in the Decade Ahead For Our Industrial Constellation

By C. A. SIENKIEWICZ*
President, Central-Penn National Bank of Philadelphia

In portraying the future heavy demands to be made upon commercial banking, on the basis of assumed growth pattern, Central-Penn National Bank head predicts: (1) loans to increase by $40-$45 billion to $120-$125 billion; (2) bank deposits to go up by $50-$70 billion to $250-$275 billion; (3) capital structure, in view of its dangerously declining trend, will have to increase by $10 billion; (4) a 16½% population increase, or 190 million; and (5) a 43% Gross National Product increase, or $535 billion. Mr. Sienkiewicz does not agree the Employment Act of 1946 has ended the business cycle, but does advise bankers "we are learning how to cope with the whistle of deflation and the gong of inflation," and that it is important to watch the national debt and national product ratio.

I want to paint a rough word picture of what seems to me the decade ahead holds for banking and credit and what new opportunities and responsibilities are in store for us as bankers.

C. A. Sienkiewicz

I choose this longer range of outlook for a good reason. Important as the short-run analysis may be for current operations, it is too limited a basis for economic appraisal. Increasingly, we are expected to plan ahead, to make extended projections to help managements in deciding capital expenditures, financing programs, locations of new facilities, diversification of products and services, and new business developments.

Present indications certainly suggest many changes and new developments facing us in industry and finance. You are young and fast on your way toward maturity or the prime of your life. Your concentrated preparation now will reward your efforts in the future. Today at the close of business is history; tomorrow will be a new chapter to be composed, the unknowns resolved, anticipations realized, or frustrations overcome. A confident hope of tomorrow is the essence of optimism, a pioneering adventure that gives zest to go forward.

Economic progress is propelled by hard thinking and hard work. It is a process of continuous efforts to improve the average living standards of the people. This betterment usually is achieved through the effective use of natural resources, efficient application of human energy, and adequate modern tools with which the many elements of nature are transformed into useful articles for the benefit of man. Despite many halting stages or periods, this process has been as irrepressible as are human needs and wants in our society.

Right now we are in the midst of a technological revolution. New and better tools and methods are being invented and applied with the maximum of skill known to human mind and hands. Back of this movement lies a great urge that drives free men onward to build a better future. This urge increases in direct proportion to the increase of our population and its desire to do better than did the preceding generations. This has been the history of our economic progress.

The Record, and the Outlook

The growth of our population in the period of 45 years, 1910 to 1955, was from about 92 million to 163 million, an increase of 61 million or 76%. Our national product, measured in 1953 dollars, in the same period expanded from $105 billion to $374 billion, or 256%. On the per capita basis, this rise was from $1,137 to $2,294, or 48%. This is an amazing record of achievement even when due allowance is made for the violence caused by two great wars and the unprecedented depression of the 1930s.

The outlook for potential economic growth during the next decade is equally breath-taking. Projections made by the staff of the Joint Committee on the Economic Report indicate that our population will increase from 163 million in 1955 to 190 million in 1965, or 16½%. The value of goods and services in constant dollars is expected to rise from $374 billion to $535 billion, or 43%. And the per capita product is likely to increase from $2,294 to $2,817, or 23%.

Just think of the volume of natural resources to be converted into consumption goods, the quantity of human and mechanical energy to be released in the process, and the amount of income generated to sustain our individual and national well-being. Think also of the amount of financing it will require for plant and tools and processing of goods. We can truly say that we are on the threshold of a new and exciting economic adventure.

No War and Stable Prices

To attain this projected goal, of course, we must assume that we shall manage to avoid another major war; that prices will continue relatively stable; that labor supply will be adequate and productivity will continue upward so that the relationship between prices and costs is reasonably well balanced. We also must assume that private investment in construction, plant and equipment, and inventories will be at high levels; that government expenditures and disbursements will be largely without deficit financing; and consumer income will be fairly steady, expenditures substantial, and savings adequate to provide funds for long-term investments. These assumptions seem reasonable, and many of our industries already are gearing their policies and plans with the objectivity and the drive that characterized our progress over past decades.

Let us take a quick look at some of the basic industries and what they are doing in the march of industrial progress.

Some Basic Industries

(1) **Chemicals**—Through its emphasis on research and development, the chemical industry recently has grown much faster than industry in general. Since World War II, sales and earnings have increased from roughly 100% for the more stable carbon, sulphur and fertilizer groups to over 200% for the more dynamic synthetics, plastics and antibiotic branches. New products continue to pour out—last year there were 426 of them. The ever growing search for new products and new methods assures a most promising future for us in the chemical area.

(2) **Electrical products and electronics**—This industry, steeped in the production of apparatus and equipment used in the generation and distribution of electrical energy, has contributed as much as any other to our steadily rising scale of living. The concept of the "all electric home" with its related appliances has resulted in the four-fold increase in sales in the last decade of such industrial giants as General Electric and Westinghouse. The production of electric energy has doubled since the war and is expected to double again in the next decade. In addition, automation with electronic devices controlling productive processes, along with the tremendous application of electronics by the military to our defense efforts, promises fantastic future innovations.

(3) **Extractive industries**—Demand for petroleum products has been growing at an annual average rate of 1½ times as great as overall industrial production. With an increase in population and an estimated spread in uses of petroleum products of 20% per capita, demand should continue at a comparable rate. Proven reserves are more than adequate to supply this demand.

The demand for all types of ore and alloy materials is sharply upward. The expansion in industrial and construction projects provides vast markets for steel in all of its thousands of forms. Industrial experts predict that consumption of aluminum will double in the next 10 years. Other metals will benefit as more uses are found by our technology.

With the dawn of the atomic era, the rarer metals are in expanding demand. Uranium, titanium and lithium, to name a few, are no longer merely romantic names in the industrial world; they are new realities.

Under conditions of sanity and wisdom in the world, we are told that nuclear energy can be developed and used for beneficent, peaceful purposes of mankind—in medicine, in agriculture, in industry—instead of parading it as a means of arousing fears and fabricating terrors. This is a new field of untold promise.

The extractive industries indeed will be a bellwether of our future industrial advancement. They completely shatter the nonsensical myth of a few years ago that our economic arteries are hardening and that we are facing economic stagnation.

(4) **Industrial equipment and machinery** — Projected expenditures for new equipment and machinery assure continued capital expansion. Growth factors, such as the $33 billion road construction program recently passed by Congress, the vast outlays planned for private and public construction, and capital investment in new facilities and replacements are the main sources of demand. Technological advances with the stimulation of industrial research and development are shortening the economic life of capital equipment. The introduction of fully automatic production methods, wherever possible, is being accelerated as labor and other costs rise. These factors should provide a high level of business activity in the years ahead.

(5) **Air transportation** — While the air transport industry has grown tremendously in recent years, it is still relatively young. The Civil Aeronautics Administration has forecast that air transportation by 1965 will rise from its current 29% to over 50% of the common carrier market. The forecast cites the fact that less than 12% of the population has ever been in an airplane and an even smaller percentage of potential air freight has been tapped. The embryo intercity helicopter service with its bright future will give an additional boost to the industry.

These five examples represent giant stars in our industrial constellation. With the growth of our productive and technical competence in every way, they assure our forward march and hopeful expectations. They also suggest broad moving horizons, opening up new opportunities and new responsibilities for all of us who must, today and tomorrow, play our part in the realization of what is unfolding before us.

Commercial Bank Financing

The industrial expansion envisioned by our economic authorities in the next decade, of course, cannot come to pass without adequate financial resources and facilities. This condition imposes heavy demands on all our financial institutions, but more particularly on those dealing with savings and long-term capital investments and those handling shorter-term credits, such as commercial banks. Our concern here is primarily with the role of commercial banking in this project.

Naturally it is extremely difficult to make any dependable estimates of the amount of bank credit that will be needed each year to sustain the anticipated expansion. We can only make rough guesses. We do know, however, that the projected growth will require a tremendous amount of money and that it will take great managerial skill to handle it. And this is of immediate concern to all of us because we, too, must plan and prepare ourselves to face new and changing requirements. I believe our banks are gradually planning and preparing their resources and facilities for the expanding future.

Bank Retailing

Commercial banks also have responded to the necessities and demands of the times and the people. Instead of being primarily wholesale institutions dealing chiefly with seasonal credits, they have become retail service establishments making all types of loans, some of which were scarcely known to earlier generations of bankers—seasonal, consumer, term or capital, revolving, mortgage warehousing, and other varieties of loans depending for repayment upon earnings rather than upon seasonal conversion of goods and liquidation of receivables. Indeed, since the war commercal banks have played a vigorous and vital part in our economic life, and contributed much —probably too much—to the current wave of prosperity.

You will recall that 10 years ago, after surviving depression and war, our commercial banks had become large depositories of government securities. At the end of 1945 they held $90.6 billion of these securities as compared with $57.1 billion in May of this year, a reduction of 37%. Their loans, on the other hand, at the end of the war reached a low of $26 billion but subseqeuntly rose by $40 billion, or 231%, to a record of $86 billion in May this year. This is a tremendous change in the com-

*An address by Mr. Sienkiewicz at the Fifth Annual Pennsylvania Bankers Association Summer School, Pennsylvania State University, Aug. 23, 1956.

position of bank earning assets. It means a rise in loans from 16% of total assets in 1945 to about 45% and this trend toward a higher proportion of loans continues. It is a natural comeback to our traditional stock in trade which is lending of money to private, competitive enterprises under the stimulus of postwar prosperity.

Adequacy of Bank Capital Resources

This expansion in loans naturally raises a question about the trend and adequacy of bank capital resources to take care of further economic growth. Capital accounts of commercial banks, to be sure, increased from $8.9 billion in 1945 to $15.8 billion in May, 1956, a growth of about 78%. But loans increased almost three times as much as the rate of growth in capital accounts. Moreover, while the ratio of capital resources to liabilities is higher now than at the end of the war, it continues to be the lowest in decades. This is the principal reason for the present emphasis by supervisory authorities on the adequacy of bank capital as a strengthened basis for increasing credit or deposits. It is an important emphasis and we must take serious note of it.

Let us assume that, except for some short periods of minor adjustments, such as in 1954, economic stability will be maintained and the present relationships between gross national output and bank loans will continue more or less as at present. On that basis, bank loans might well be expanded by some $40 or $45 billion to $120 or $125 billion by 1965. In such an eventuality, bank deposits also would rise by $50 or $70 billion to $250 or $275 billion. To sustain such a deposit growth with safety and comfort, it would be necessary to increase bank capital resources greatly in absolute amounts and in proportion to enlarged liabilities.

Even to maintain the present relationships between capital accounts and deposit liabilities, it would be necessary to strengthen the capital structure of commercial banks by some $10 billion in the next decade of projected economic growth. To raise that much money through stock issues and retained earnings is indeed a challenging job for bank managements.

My purpose is not just to toss around a lot of inexact speculative figures but rather to pinpoint the central problem of financial requirements during the decade ahead if our economy is to expand as projected. Obviously, we must enlarge and strengthen our resources. We have powerful safeguards in the Federal Deposit Insurance and Federal Reserve System organizations, but it is essential that bank directors and managements themselves make strenuous efforts to build up capital resources, to reappraise their lending and investment policies and standards, and to re-examine their costs and earning potentialities, if they are to maintain their capacities adequate, protection base ample, and earning assets sound.

What We Have Done to the Cycle

We cannot afford to relax our vigilance over the quality of our assets and prudence of our methods. I, for one, am not convinced that the Employment Act of 1946, or any set of legislative fiats, has put an end to the business cycle, any more than I am ready to admit the claim that the law of supply and demand has been supplanted by reasoned decisions and acts of economic planners and currency managers.

Whatever new social and economic concepts may be entertained by others, bankers must be ever alive to the financial responsibility which the business community and the general public expect of them. Failure to rise to this responsibility through imprudence, negligence or incompetence entails dire consequences. Our free society gives us an opportunity to have good banks and it knows that, in the final analysis, the quality of any bank is determined by the quality of its personnel—directors, officers, and non-official employees.

Banks must have competent people if they are to function properly, to grow and prosper. This is self-evident. A commercial bank is an entity, a corporation, an association, empowered by law to deal in credits—to receive deposits, make loans, and generally facilitate business transactions. Carefully selected and well trained people must run it, that is, perform the multitude of its functions efficiently to satisfy the severe demands of the public. The activities of a commercial banker indeed lie at the heart of modern finance.

Caliber of Personnel

People build banks through combined efforts. Managements coordinate these efforts into effective teams. No banking institution can truthfully boast of its quality and success without giving due recognition to the caliber of its management and the entire personnel working as a team. Banks may grow in size through mergers but not necessarily in quality of performance unless they have people of capacity, good will and enthusiasm to run them. It is, therefore, a paramount responsibility of bank directors and officers to recruit promising young men and women and then provide adequate training facilities on-the-job and through specialized schooling, such as the one you have just completed, AIB courses, local colleges and universities.

You certainly exemplify individual efforts to advance in banking and your banks show their willingness to cooperate with you in the common cause. Such concerted action assures us that our commerical banking system is making preparations to meet the demands for financing the projected growth of our economy. With good personnel, our banks will find adequate resources with which to meet the call of the people and conditions that I have attempted to visualize in this discussion.

Unfolding before us is a decade of adventure. It will open up all sorts of situations—good, bad and indifferent — and will present many opportunities and obligations to the banking system and to those who administer it.

Coping With Adjustments

The period ahead of us, of course, will not be entirely free from unsettling influences. Whenever economic activity is on a high plateau as at present, with employment, income, and consumer expenditures at record levels, there will always be a potential threat to its balance and stability through excesses and subsequent corrections. Short periods of "the whistle and the gong" are likely to give cause for concern, but gradually we are learning how to cope with the whistle of deflation and the gong of inflation.

Nor can we overlook the fact that we are heading into the next decade with the largest net public and private debt in our history—$650 billion at the end of 1955. Any significant further expansion of business and public projects will mean further increases in debt, particularly since the rate of savings, high as it is, runs behind the rate of demand for longterm capital. But debt or credit and economic growth seem to go hand in hand. Borrowing and lending provide the sinews for business expansion. What is important for us to watch is the relationship between national debt and national products.

All of us realize the great complexity of the modern economy, with all the stresses and strains that create uncertainties and test our ingenuity. That is the principal reason why we are so eager to secure, train and hold the best kind of manpower for our top management and for key positions in our enterprises. We want men and women of capacity to think, to decide, and to lead with courage and vision.

Commercial banks, indeed, are operating in a rapidly changing world of science and technology. New industries, new products, and new methods are being created in our laboratories. These creations will have to be financed in one way or another. With the vast command over financial resources, commercial banks stand in the center of the projected economic growth. They cannot fail to respond to the changing needs of industry and the people. I am confident that our bankers will meet the demands of progress in the next decade of adventure even as they did in earlier decades.

Corp. Transfer Acts To Hold Outing

The Corporate Transfer Agents' Association will hold its Tenth Annual Outing on Thursday, Sept. 27, at Colonia Country Club, Colonia, New Jersey.

The outing will consist of golf and dinner for the members of the Association and their guests.

L. E. Steiner, Radio Corporation of America, is Chairman of the entertainment committee.

Two With A. H. Chevrier

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Irvin A. Heyman and E. W. MacLean have been added to the staff of Archie H. Chevrier of San Francisco.

Joins Crowell, Weedon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Peter Mayer has joined the staff of Crowell, Weedon & Co., 650 So. Spring St., members of the Los Angeles Stock Exchange. Mr. Mayer was formerly with Morgan & Co. and Edgerton, Wykoff & Co.

The Real "Give Away" Is in Public Power

September Guaranty Trust "Survey" charges Federal Government with actively promoting public power for favored groups. Exposes fallacy that public power is cheaper than private power

The Federal Government not only has gone into competition with its own citizens as a producer and seller of power but actually has become an active promoter of the "public" product for favored groups, according to the September issue of "The Guaranty Survey," published by Guaranty Trust Company of New York.

The effect is a sizable and growing "give-away" of taxpayers' money, the "Survey" states.

Preference Clause Spreads Public Power

The drift toward "public" power has been speeded by a number of legislative and administrative policies adopted under the authority of the so-called preference clause, a provision requiring preferential treatment to governmental agencies and certain others in the sale of Federally produced power.

More than 80% of the salable power from Federal projects is now sold to preference customers, and the "Survey" cites expert opinion that eventually all Federally produced power will go to governmental and quasi-governmental customers and power distributors, unless the Federal Government undertakes further large-scale expansion of its producing facilities.

The article asserts that not only has the government gone into competition with its own citizens in the private power business, and competed on an unequal basis by giving its power agencies financial advantages which it has denied to private companies, but it has further intensified this unequal competition by deliberately encouraging the growth of local governmental power agencies at the expense of privately owned utilities.

"In the 20 years from 1933 to 1953, 'public' power increased from 6% to 20% of the country's total output of electric energy, and Federally produced power alone rose from less than half of 1% to 13%, with a further rise to 16% in prospect by 1960," the article points out.

Comparative Cost Ignorance

Lack of popular resistance to this expansion is attributed by the "Survey" to general confusion that exists regarding the comparative costs of "private" and "public" power.

Private companies and the investors in their securities pay heavy taxes, and their rates must include reimbursement for these taxes. Governmental agencies are largely exempt from taxation, as are the investors in their securities. The resulting savings in direct tax costs and in financing costs enable these agencies to charge much lower rates than private companies and still show no deficit on their books.

"This creates the illusion that 'public' power is cheaper than 'private' power," the "Survey" notes. "The truth is that it is cheaper to the consumer but not to the people as a whole. Since government must have its revenue, the taxes not paid by consumers of 'public' power must be paid by others, which means that these others are, in effect, subsidizing the 'public' power consumers."

Elmer Hammell Joins First Securities Co.

Elmer W. Hammell

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Elmer W. Hammell has become associated with First Securities Company of Chicago, 134 South La Salle Street, members of the Midwest Stock Exchange. Mr. Hammell was formerly in the trading department of Straus, Blosser & McDowell and Talyor & Co. In the past he was an officer of Caswell & Co.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The First National City Bank of New York has appointed Patrick F. Bowditch an Assistant Cashier. He is assigned to the Central Atlantic District of the bank's Domestic Division.

* * *

Robert B. Anderson, President of Ventures Ltd., has been elected a Trustee of **The Hanover Bank of New York,** the bank announced on Sept. 5. Mr. Anderson became President of Ventures Ltd., a Canadian holding company with international operations principally in the mining field, in September, 1955, after resigning as Deputy Secretary of Defense in Washington. He was appointed to the latter position by President Eisenhower in 1954 after serving for a year as Secretary of the Navy. Before that, Mr. Anderson had been for some years General Manager of the W. T. Waggoner Estate in Vernon, Texas, his former home, and a director of the Federal Reserve Bank of Dallas.

He is presently Chairman of the Executive Committee and a Director of Dresser Industries; a Director of Missouri Pacific Lines, Webb & Knapp (Canada) Ltd., Greenwich (Conn.) Trust Co. and Crown Trust Co., Toronto, Canada. Mr. Anderson is likewise identified with various other interests.

The Hanover Bank of New York announces as of today (Sept. 6) the election of John H. Andren and Harry P. Barrand, Jr. as Vice-Presidents in the bank's Foreign Division. Mr. Andren was formerly an Assistant Vice-President, and Mr. Barrand was European representative. With The Hanover since 1928, Mr. Andren has spent his entire career in the Foreign Division. He was elected an Assistant Vice-President in 1951. Mr. Barrand has been the bank's European representative since 1953. He joined The Hanover in 1946 after serving in World War II as a captain with the U. S. Marine Corps.

Elected Assistant Vice-Presidents in the Foreign Division were William G. Blake and James R. Greene, both formerly Assistant Managers. Mr. Blake joined The Hanover in 1947. Prior to that, he served four years as an assistant navigator on aircraft carriers in the Pacific Theatre during World War II. Mr. Greene has been with the bank since May, 1955. He was formerly with the Foreign Service of the United States. Michael C. Bouteneff, Assistant Manager, has been named European representative to succeed Mr. Barrand. The bank also announced the appointment of A. S. Beckley, W. J. Paden, and George O. Gross as Assistant Managers in the Foreign Division.

* * *

Thomas S. Sities, of Rockville Centre, a Vice-President of **The Dime Savings Bank of Brooklyn, N. Y.,** observed on Aug. 31 the 25th anniversary of the day he joined the bank's staff as an office boy in 1931. After holding various posts at "The Dime" during the eight years, 1931-1939, Mr. Sities was made manager of the Mortgage Application Department. Two years later, in 1941, he achieved officer rank when he was appointed Assistant Mortgage Officer. In 1943, he was made an Assistant Secretary in charge of Mortgage Servicing, was advanced to Assistant Vice-President in June 1946, and was made a Vice-President in November 1952. In addition to his banking work, Mr. Sities is known in insurance circles.

* * *

Edward A. Voigt was recently tendered a luncheon in the officers' dining room of **The Lincoln Savings Bank of Brooklyn, N. Y.,** in honor of his 25 years service with the bank. He is the first member of The Lincoln's appraisal department to enter the bank's 25 Year Club, bringing total membership to 64. August H. Wenzel, President of the Club, presented him with an appropriately-inscribed wrist watch. Mr. Voigt graduated from the Alexander Hamilton Business Institute, and the American Institute of Banking and has taken appraisal and real estate courses at Columbia University and Swarthmore College. His father, Louis C. Voigt, a former Treasurer of The Lincoln, now retired, is also a member of the The Lincoln's Quarter Century Club.

* * *

The Meadowbrook National Bank of Freeport Long Island, N. Y., reports a capital of $7,484,750, as of Aug. 20, increased from $6,962,250 as a result of the sale of $522,500 of new stock. The offering was referred to in these columns Aug. 16, page 691.

The First National Bank of Greenwood, at Greenwood, N. Y., with common stock of $25,000, was merged with and into **Security Trust Company of Rochester,** under the charter and title of "Security Trust Company," effective July 2.

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The City National Bank & Trust Company of Danbury, Conn., has increased its capital from $300,000 to $350,000, the amount having been enlarged as of Aug. 24, by a $50,000 stock dividend.

* * *

The declaration of a 5% stock dividend by the board of directors of the **Fidelity Union Trust Co. of Newark, N. J.,** was announced by the Newark "Evening News" of Aug. 21, which indicated that the dividend would be payable Sept. 14 to stockholders of record Aug. 27. As to previous action taken in July regarding an increase in the quarterly cash dividend the "News" of Aug. 21 said:

"The dividend, recommended by the board at its July 17 meeting, was approved yesterday at a special shareholders' meeting. The dividend is to be paid on the basis of one new share for each 20 held. The dividend, totaling 25,000 shares, will increase outstanding shares to 525,000. Capital of the bank will be increased from $5,000,000 to $5,250,000. After the July 17 meeting an increase in the regular quarterly cash dividend from 60 to 75 cents a share was announced."

Earlier reference to the July meeting appeared in our issue of July 26, page 393.

* * *

The County Bank & Trust Company of Paterson, N. J., announces under date of Aug. 28, that the **Citizens Trust Company** also of **Paterson, at 140 Market Street,** having merged recently into the **County Bank and Trust Company** of 129 Market Street, is now known as the latter's Citizens Office.

* * *

Consolidation of the **Second National Bank of Red Bank, N. J.,** with common stock of $520,000 and the **Keyport Banking Company of Keyport, N. J.,** with common stock of $100,000 was effected as of Aug. 17 under the charter of the **Second National Bank of Red Bank** and under the title **The Monmouth County National Bank, Red Bank.** At the effective date of consolidation the consolidated bank had a capital stock of $710,000, in 710,000 shares of common stock, par $1 each; surplus of $710,000 and undivided profits, including surplus reserves of $731,074. Reference to the consolidation plans appeared in these columns July 5, page 80; Aug. 2, page 495 and Aug. 23, page 793.

* * *

Announcement is made by the **Broad Street Trust Company of Philadelphia,** of the advancement of John J. Cloak and Leslie A. Wright, to the offices of Vice-Presidents, according to the Philadelphia "Inquirer" of Aug. 19, which also stated that Thomas F. Loeffler, Russell Hamilton, Jr. and Frank A. McHenry had become Vice-Presidents and Russell E. Fitzgerald and Gerald W. Gretzinger were named Assistant Secretaries. From the "Inquirer" we also quote:

"Mr. Cloak joined **North Broad National Bank** in June, 1936, and at the time of the merger with **Broad Street Trust** in October, 1952, became Assistant Treasurer. He was promoted to Assistant Vice-President in November, 1955. In his new post as Vice-President, he will be assigned to the Broad & Nedro Ave. branch.

"Mr. Wright became associated with North Broad National in January, 1930, and at the time of the merger was promoted to Assistant Vice-President from Assistant Cashier. His new position will be Vice-President, Operations Department.

The directors of the **American Bank & Trust Co. of Racine, Wis.,** announce the election of Harold C. Weiss as a Vice-President and O. K. Johnson, Jr., as an Assistant Vice-President. Formerly associated with **The Northern Trust Company of Chicago,** Mr. Weiss was Assistant Manager of the credit department and then promoted to Second Vice-President in the commercial department. Mr. Johnson whose family has been active in banking circles for many years, is a graduate of Lawrence College and the University of Wisconsin Law School. He has had advance work with the American Institute of Banking and gained much experience while working at the First Wisconsin National Bank and the Whitefish Bay (Wis.) State Bank.

* * *

As of Aug. 15 the **Citizens National Bank & Trust Company of Houma, La.,** increased its capital from $400,000 to $500,000, the addition having resulted from the sale of $100,000 of new stock.

* * *

The capital of the **National City Bank of Waco, Texas,** became $350,000 as of Aug. 20, having been raised to that figure from $250,000 following the sale of $100,000 of new stock.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The efforts of the monetary authorities to curb the price-wage inflationary spiral through the medium of higher interest rates, and tighter credit, continues to have a defensive influence on the market for Government obligations. Competition for the available supply of credit, whether it be short- or long-term, is still very keen and there are no indications yet of any change in this demand. The economy is still operating with a boom psychology, even though there are reports that some maladjustments are developing.

The Government market continues to be under pressure and the rallies which have taken place have not been more than rather uncertain technical recoveries. Nonetheless, there seems to be a somewhat less bearish attitude now among certain money market specialists since they are of the opinion that the interest rate raising and credit limiting operations of the powers that be, are not likely to go a great deal further. The action of the equity market is also being watched closely as a clue to future trends in the Government market.

Higher Bond Yields Attract Buyers

The tight money market continues to have its effect upon fixed income bearing obligations, even though the higher yields available in certain of these securities is bringing some investment money out of hiding. Also it is evident that funds, which would ordinarily be put to work in common stocks, are being invested in bonds, mainly in the recently offered issues of corporates, because the return is larger in these securities than in selected equities. On the other hand, there is no evidence yet that common stocks are being sold in really important amounts to make way for purchases of fixed income bearing obligations, even though in some cases equities are being liquidated and the proceeds are being invested in bonds.

The uptrend in interest rates continues, with bankers acceptances and commercial paper rates again edging up, as well as most of the other rates for borrowed funds. It is also reported that the financing of new instalment purchases will be more costly, but it is not expected that this will slow down very much the sales of durable consumers' goods. It is believed that the last quarter sales of the new models of automobiles will be very satisfactory and this will mean that the demand for credit will continue to be sizable.

Market for Treasury Liens Lethargic

The Government market appeared to have discounted the raising of the discount rate, since a mild rally took place after the announcement. However, the combination of a small amount of selling, along with the usual absence of buyers in a very thin and uncertain market, pushed quotations down again, with many of these issues going down to or through to new lows for the year. In not a few instances, prices of Treasury bonds were on the threshold of their 1953 lows. The wavering technical rally was not unexpected, since it was evident that more favorable yields are still available in non-Government obligations especially those in the corporate field. Also some buying has been in evidence in the tax-free obligations, since many of these securities have gone down to levels where scale buying is being done by certain institutional investors as well as individuals.

Competition From Corporate Offerings

There are still evidences of not too large liquidations of the most distant Government bonds by insurance companies, not in the largest classifications, in order to make payments for commitments that have been made in new issues of corporate bonds. It is reported that the 3¼s and the 3s have been the principal issues which have been sold to make way for the new offerings, although there are indications that some of the most distant 2½s have also been let out in order to make payments for these recent new flotations. The demand for long-term money continues to be very sizable and this will make the competition as keen as ever for the available funds, which means that Government obligations will have to sell at yields that will be in line with the going rates for credit. As matters stand now, there will have to be further downward adjustments in quotations of Treasury obligations unless the prices for non-Government securities move up or there is a change in the policies of the monetary authorities.

Public Pension Funds Active Buyers

The other side of the picture shows that the public pension funds are still the important source of buying as far as the longest-term Governments are concerned. It is reported that they have been the main purchasers of the 3¼s and 3s which have come in for sale. These commitments, according to advices, are being made on a scale-down basis. The 2½s of Nov. 15, 1961 continue to find homes in not too large amounts among some of the smaller institutional investors, with certain of the out-of-town deposit banks also reportedly interested in them as prices decline.

From Washington Ahead of the News

By CARLISLE BARGERON

If the farm unrest is really serious and there are indications that Eisenhower could lose a couple of Midwestern states, it should be checked when the farmers come to realize that high in the counsels of Adlai Stevenson, should he be elected, would be Walter Reuther. Mr. Reuther is at least partly responsible for some of the farmers' woes because his incessant demand for increased wages for workers has boosted the cost of farm implements. The result is that farm implement sales are decidedly down which does not do Reuther's workers any good, either. He has also boosted the wages of farm labor.

Carlisle Bargeron

Reuther has long posed as a friend of the farmers. In fact, in the pursuit of his ambitions,he has an alliance with the National Farmers' Union, a radically left wing outfit which although much smaller than the American Farm Bureau Federation and the National Grange, is much more articulate.

At the Chicago Democrat convention, Reuther was most active in Stevenson's camp and he masterminded the Vice-Presidential nomination of Estes Kefauver. He is, in fact, responsible for the AFL-CIO's endorsement of the Stevenson-Kefauver ticket in the Presidential campaign. George Meany was very much against it.

Reuther insists he wants to get the farmers' income up in order that they can pay high wages for farm labor and can buy the farm equipment manufactured at high labor costs. To do this, he was quite influential, along with former Secretaries of Agriculture "Baldy" Brannan and Claude Wickard, in the Democrat farm program.

The main feature of this program is a return to the high rigid price support formula which students of agriculture, including the Farm Bureau and the Grange, seem to agree is responsible for the farmers' present plight, and on which there seems to be agreement also, that if it is restored it will bring about the farmers' ruin. On top of this, the platform calls for the old Brannan plan by which the farmer would be paid by the government for the difference which he receives in the market and what the government planners think he should receive. This plan was hooted down by a Democrat-controlled Congress in 1949. Its costs have never even been calculated.

For years Reuther has dominated the State of Michigan. Three times hand running he has elected his youngish multimillionaire protege, Mennens Williams, as Governor and expects to reelect him for a fourth term this year.

His ambition now is to make Indiana another Michigan. He and his CIO handpicked the Democrat gubernatorial candidate and they have also thrown their support behind Claude Wickard for the Senate against the veteran Senator Homer C. Capehart, Present odds are that Capehart, who has served in the Senate for 12 years, will win, but the CIO has made known that it plans to send plenty of money into the State.

The lesson to be drawn from this state of affairs by the Republicans, it seems to me, is that they have got to make Reuther an issue, not only Reuther but the others so prominent in the Stevenson camp.

Stevenson is undoubtedly an able man and a man of integrity. If he could come into the Presidency in the way he would personally like to come, he very probably would be just as able as Eisenhower. But he can't do that. He must come in with Reuther, the Americans for Democratic Action, and the rest of the pinks and leftists. This stripe will make up his Administration.

But the public can't be left to realize this. It has got to be told. It is for this reason that I shudder every time I hear the statement that the Republicans are to conduct a positive campaign based solely on the Eisenhower accomplishments. If one is to believe what he hears even Nixon is to be held to this line. It is my conviction that this won't be enough.

I run into too many people, business and professional men, who say that prosperity will continue just as well under the Democrats as the Republicans. They think that perhaps we would have some more inflation under the Democrats but you'd be surprised how many people there are who like inflation or at least don't dislike it. Money goes easier, so to speak, but it also comes easier.

Procedure on German Dollar Bond Issues Validation Amended

The Validation Board for German Dollar Bonds announced Aug. 31 that it had issued an amendment to its instructions relating to registration covering the application for validation of German Dollar Bonds of the 92 issues which require validation. This amended instruction reads as follows:

"All registration forms filed with the Board after Aug. 31, 1956, must satisfy the requirements of the last sentence of Section 21 (1) of the Law for the Validation of German Foreign Currency Bonds of Aug. 25, 1952; i.e., 'The registration may be made within two years after the expiration of the period specified in the first sentence if the registrant shows that the failure to register the bond earlier was not due to his own gross negligence.' Accordingly registrations filed after Aug. 31, 1956, must be accompanied by a full explanation of the reason why the bond was not registered on or prior to that date."

Aronson Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Leo M. Katz is now connected with Aronson & Co., 426 South Spring St.

Now With Bennett & Co.

(Special to THE FINANCIAL CHRONICLE)

HOLLYWOOD, Calif. — Adam Kung Wen has been added to the staff of Bennett & Co., 6253 Hollywood Boulevard.

International Inflation Trend Due to a Pattern of Coincidence

By PAUL EINZIG

The sum total is inflation, Dr. Einzig observes, as a result not of an international operating factor but, rather, as a result of the coincidence of individual countries pursuing inflationary policies independently of each other. Finds in the U. S. A., and particularly in the U. K., that the "industrial balance of power is strongly in favor of organized labor," and that few countries can isolate themselves from the international trend for any length of time.

LONDON, Eng.—At its recent Paris meeting the Council of the Organization of European Economic Cooperation expressed its grave concern over the inflationary trend in Europe. The statement issued after the meeting stressed that "inflationary pressure has in recent months persisted and prices continue to rise at a rate which in many countries has quickened." Nor is this inflationary trend confined to Europe. The terms on which the United States steel strike was settled are believed to foreshadow another spell of rising prices in the United States, which is bound to affect the international trend. In Latin America and the East too, most governments find it difficult to hold down rising prices. Even though in Britain and some other countries there was no further rise in recent months, the underlying trend has remained inflationary.

Dr. Paul Einzig

Perhaps it is not correct to speak of an international inflationary trend," because that would imply the operation of international inflationary factors. From time to time in the past such factors did indeed operate. An outstanding historical instance was the inflationary effect of the shipments of precious metals to Europe, after the discovery of the New World, in the 16th and 17th centuries. At present no such international factor is at work. What is happening is that in the overwhelming majority of countries inflationary influences which are confined to those countries are in operation. The only factor of an international character is the expansionary trend in the United States. Owing to the overwhelming importance of the United States in world economy an upward or downward trend in the United States is liable to assume an international character, though even in this respect experience in recent years has proved that it need not always necessarily be the case.

Coincidence of Inflation

What is happening is that inflation in each country operates largely independently of inflation in other countries. The same factors exist everywhere independently. These factors are the rising trend of production, the high level of employment, the adoption of the Welfare State, the high level of public and private capital expenditure, and the need for maintaining a high degree of military preparedness.

It is true the volume of production declined somewhat in many countries during 1956. But this setback came after an almost uninterrupted rise since the war. Since the rise in the output tends to involve an expansion of national incomes, it was inherently inflationary because the additional incomes resulting from the higher output were paid out and spent before the increased volume of goods became available. Moreover, the increase in incomes resulting from expanding production produced, and is still producing its "multiplier effect" on spending. Even though the expansion in production has slowed down or has come to a temporary halt in some countries, the additional incomes created during the prolonged period of rapid expansion are being spent and re-spent over and over again. Expansion of production continues, therefore, to generate inflation for some time after it has come to a halt.

Labor Inflationary Bias in U. S. and U. K.

Although in the United States, Britain and some other countries a certain degree of unemployment developed in 1956, the general level of employment remains high. The fact that the American steel strike resulted in the granting of substantial wages increase shows that, notwithstanding unemployment in the automobile industry, the general level of employment in the country as a whole is such as to maintain the industrial balance of power strongly in favor of organized labor. The same is true concerning Britain to an even higher degree. The extent of unemployment that developed in Britain during 1956 has been quite negligible and the trade unions continue to hold most of the trumps. The inflationary wages spiral continues, therefore, unabated.

The extent to which consumption is maintained and increased through the growing amounts of social benefits is exceptionally high in Britain, but it tends to increase also in most other democratic countries. The streams of Welfare State spendings in individual countries contribute towards the general stream of local inflation.

Investments Continue

Since the war the world has become investment-conscious. There is now strong social and political pressure in favor of capital expenditure on the improvement of public services and in favor of encouraging private firms to increase their productive capacity. Even though in Britain the disinflationary measures taken in 1955 tended to discourage investment, actually the proportion of investment to national income is expected to increase during the current year. The extent to which these disinflationary measures keep down consumer expenditure is not sufficient to offset the increased requirements of capital expenditure. The sum total of the situation is inflation.

Expectations that inflation could be moderated through disarmament have failed so far to materialize. Although Britain is planning cuts in arms expenditure it may take some time before these cuts can assume sufficiently large dimensions to make an appreciable difference in the situation. Recent developments in the Middle East do not exactly encourage Britain and other countries to reduce their strength in conventional armament.

Summary

These various factors operate in various countries in a varying degree. Unlike the gold influx in the 16th and 17th centuries, they do not constitute international factors. Their operation in each country is determined by policies in circumstances special to the countries concerned. Nevertheless, their sum total is international inflation. Even though in theory any government is at liberty to isolate itself from the trend by pursuing different policies from those pursued in other countries, in practice very few countries have succeeded in isolating themselves completely from the international trend for any length of time.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks bracketed the feared Labor Day holiday with a couple of the better gains seen in nearly three months. The only sour note in the performance was that the rails were only lukewarm in the face of good action by the industrial average.

* * *

The holiday shutdown has assumed a dire aspect in recent years and the commentators are legion who have pointed out that earlier bull markets, notably those of 1929, 1937 and 1946, fell apart at the seams once the Labor Day recess was out of the way. Whether or not the same situation prevails this year, the buying around the holiday directly flouted all the talk of the period as one of crisis.

Steels and Metals Well-Acting

Steels, and metal shares generally, were among the best acting groups on the rebound which had started from the 495 area, some 10 points above what the technicians had outlined as the first area of resistance. The industrials, consequently, were back in the 500-520 trading range where the average had lolled for most of July and August. U. S. Steel, Crucible, and Republic Steel were prominent on posting new highs simultaneously at a time when the new lows have been outrunning new highs consistently for some three weeks.

Buying in Aircrafts

Buying was determined in the aircrafts, partly because of good profit figures and also because of the many new government contracts being parcelled out. Here, too, the new peaks were prominent including those of Glenn Martin, Douglas and Boeing which are more representative of bomber and guided missile fields than the firms primarily concerned with fighter plane production.

* * *

Oil well supply firms, which have been pretty well left out of the bull market up to here, were in good form. National Supply was able to sprint to a new peak on a multi-point gain and Dresser Industries, which worked ahead somewhat persistently, was also able to make the list of new highs. Dresser, once a cyclical outfit vulnerable to business downturns, is a somewhat different company these days than of old. It has changed face, not through the all-popular device of diversification, but by moving away from durable goods to expendable items which are expected to account for nearly two-thirds of sales this year against a negligible proportion a decade ago. A bit of glamor has been added, too, by Dresser's work in developing new drilling bits which, if they are successful, could revolutionize the entire field of oil well drilling.

Outstanding Liquor Issue

Among the many other neglected groups are the liquor shares and here the better-performing issue lately has been National Distillers, largely due to a new policy of the directors in augmenting the regular cash payments with stock dividends, one of which already has been declared. The stock has been toying with its year's high as a result. This, moreover, is not the pattern of most other issues in the group.

* * *

Part of the preference for National Distillers stems from the fact that it offers a growth potential not inherent in the liquor line by its energetic steps in recent years to carve out a sizable role in the chemical and petrochemical fields. In fact, in the first half of the year chemicals provided better than a third of operating profit against less than 10% last year. In addition, the liquor business itself, after being in the doldrums virtually since the end of World War II, seems to be about to turn something of a corner which would bolster the basic profit position of the company. The stock during the last three years has held in a range of about half a dozen points despite the upsurge in prices generally from 1953 on. This year it broke out of the range on the upside, reflecting the unspectacular but steady improvement in earnings since the low point was reached in 1952.

* * *

The tire makers, too, have gone in for diversification to end their dependence for their basic profit on new car equipment and some of the results would seem to indicate that it helped mightily during a poor year for new cars. Goodyear, despite the lower car production, was able to report higher sales and higher net profit from its activities in newer fields. Dayton Rubber, too, is being projected to a record profit for its fiscal year because of its varied activities in which the tire field is now down to under 50% of its market. Dayton, completely independent of the new car problems, has been stressing foam rubber products and other rubber goods apart from tires and has a one-seventh interest in a synthetic rubber plant purchased last year.

Autos Ready for Getaway

Automotive issues themselves showed some careful and restrained demand at times. These well-depressed issues naturally reflected the rather pronounced trim in car sales this year. It left the dealer inventories well under control, however, and paved the way for a good rebound in sales and earnings of the big auto firms if the style and mechanical changes in the new models spur buying. It seems to be well established that premature talk of new features for the 1957 models deflected potential buyers of this year's line which could give the industry a built-in support for a fast getaway on the new car sales.

* * *

Department store issues, which were another of the groups ignored by the bull market runup pretty much, have been working back into favor without fanfare. A measure is that a couple of them this year have returned to prices seen in the 1946 upswing. Others, like R. H. Macy, which offers a yield of around 6½%, are well under their peaks of a decade ago. Macy sold at $65 in 1946 and has only worked back a bit into the $30 bracket this year. Federated Department Stores has equalled its 1946 peak this year, bolstered by good sales for the first half which, however, do not include results of its recent acquisition of Burdine Department Store in Florida.

* * *

Sperry Rand has had a mundane market existence since the terms of settling its suit against International Business Machines were spelled out. In fact, the issue has yet to build up a range of more than half a dozen points for all of this year so far. To a certain degree the company's recent rights offering has also held the stock in restraint. Record earnings and sales are pretty well anticipated for this year largely because the benefits of the merger of Sperry with Remington Rand have yet to appear fully in the earnings statements.

[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.]

Eastman Dillon, Union Securities & Co. Starts Operations; Capital Over $17 Million

Lloyd S. Gilmour (right) greets his new associate Joseph H. King upon the opening of the newly-combined firm of Eastman Dillon; Union Securities & Co., which joins two of the country's larger investment banking and brokerage organizations. Mr. Gilmour was senior partner of Eastman, Dillon & Co. and Mr. King was President of Union Securities Corporation.

Eastman Dillon, Union Securities & Co., has commenced operations under its new name and announced a new slate of general and limited partners. The firm, which is a combination of Union Securities Corporation and Eastman, Dillon & Co., has capital in excess of $17,000,000, according to Lloyd S. Gilmour and Joseph H. King, senior partners.

The firm, which has offices in New York, Philadelphia, Baltimore, Boston, Hartford, Buffalo, Cleveland, Chicago, Los Angeles and in other smaller cities, anticipates greatly expanded business, both in the investment banking field and in its brokerage business, according to the senior partners. It is a member of the New York Stock Exchange and other leading securities exchanges.

In addition to Mr. Gilmour and Mr. King, general partners of the firm, are Edward T. Herndon, John F. Power, D. Frederick Barton, James P. Magill, H. Lawrence Bogert, Jr., Donald S. MacFadden, William G. McKnight, Jr., Elbert J. Evans, Harold H. Young, John Ellis, Basil B. Elmer, Robert P. Walker, John W. Sharbough, Dwight C. Baum, Willard S. Boothby, Jr., Disque D. Deane, Norman S. Downey, John W. Mackey, James A. Sandbach, S. Logan Stirling, S. Stewart Alcorn, Jr., James B. Cullum, Jr., H. Lawrence Jones, Norman W. Jones and Milton J. Yoeckel. Limited partners are: Thomas C. Eastman, Arthur C. Boyce, Henry L. Bogert, Herbert L. Dillon, Loring Dam, Matthias Plum and Elisha Riggs Jones.

For the time being, the firm will continue to maintain New York offices at both 65 Broadway and 15 Broad Street, but eventually the 65 Broadway office will be discontinued, and operations will be concentrated at 15 Broad Street.

In the past, both firms have managed a substantial number of underwritings for companies in many different fields; these include natural gas, petroleum, power and light, textile, telephone, railroad, insurance, food, aircraft, building material, shipbuilding, mining, electronics, finance companies and miscellaneous manufacturing. New issues of tax-exempt bonds have been underwritten for school, highway, bridge and similar state and municipal purposes.

For the period from Jan. 1, 1955 to date, the two firms had underwriting and private placement participations of about $620,000,000 in corporate issues aggregating approximately $5,000,000,000. For the same period, their combined participations in municipal bond issues totaled about $150,000,000.

Free Piloting Classes

The North River Power Squadron of the United States Power Squadrons, in which many Wall Street men are interested, will conduct a piloting course at the Downtown Athletic Club. Enrollment will be Monday, Sept. 17, at 6:00 p.m. Classes will be conducted each succeeding Monday from 6:00 to 8:00 p.m., and will include "Rules of the Road," "The Compass," "Practical Chart Work," and other pertinent subjects.

Those interested in attending may contact Paul S. Morton of Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.; DIgby 4-7140, any weekday after 3:30 p.m. for further information. The course is gratis and the instructors serve without compensation.

Continued from first page

As We See It

present rate of 4¼% to 4½% is about average for them. They have often averaged substantially higher than that for considerable periods of time which were not regarded as particularly unusual. The story is much the same with stock exchange time loans. The record for the years prior to 1930 yields very few, if any, instances of commercial paper rates as low as they are now.

What the Record Shows

Short Treasury's throughout the 'Twenties were much more often above and even with than below the current rate. Go back as far before the New Deal as the record takes you, and no instance is found of high grade corporate bonds yielding as little as they do right now. Yields on longer term governments were historically low throughout most of the 'Twenties, but they were for the most part all higher than they are now. Further search of the records would without doubt yield other facts of a like sort, to substantiate the assertion that current money market rates are high only in comparison with those instituted by New Deal machinations—with the exception of a short period in the early 'Thirties when the wheels of the financial mechanism virtually ceased to revolve by reason of a dearth of demand.

In a number of other respects too, there is need for perspective at the present time. It would be helpful, for example, if recent actions of the Federal Reserve were viewed in the light of history, and particularly in light of current conditions. As a result of the increase in the price of gold early in the New Deal years and of events of which this step was the cause, and, further, of changes that were later made in the Federal Reserve Act, the Federal Reserve could theoretically expand credit almost without practical limit. Thanks to the vast volume of Federal obligations, now outstanding, the means of such expansion are readily at hand.

Now, what have the Federal Reserve authorities done with all this potentiality? Well, at the end of 1929 the 12 banks owned a little more than half a billion of Treasury obligations; at the end of 1940 the figure was $2.2 billion. By the end of 1945 these banks held about $24.3 billion of the national debt. Then followed some years of liquidation, but Korea brought an about-face. By the end of 1953 the system owned nearly $26 billion. Present holdings are but a very few billion less. Meanwhile, loans, discounts and advances, which were almost non-existent in most years prior to 1953, have now risen to within hailing distance of a billion dollars. Total Federal Reserve credit outstanding at over $25.5 billion is just about at the peak of World War II.

One searches the recent record also in vain for any indications that the Reserve authorities have instituted any really drastic hard money policy. In the week ending Aug. 29 total Federal Reserve credit outstanding at $25.4 billion was $187 million greater than one year earlier and around three-quarters of a billion greater than two years ago. The authorities have of late made it more expensive for member banks to borrow at the Reserve bank windows, but, so far as known, have not otherwise put any impediments in the way of would-be borrowers. What happened throughout most of the New Deal and Fair Deal days was that broad expansion of credit on the basis of enormous gold holdings was encouraged. There was little serious consideration given to the possibility that disastrous inflation of credit might thus occur.

Less Hostility

More recently business apparently in the belief that official hostility toward it was and is on the wane has become more active and has been seeking more and more credit. Consumers have been absorbing funds to meet their current purchases of durables and for buying or building new homes. It would have been quite possible to finance all these demands without stint by the simple process of expanding credit. It could be done without violating the conventional rules-of-thumb about gold ratios, member banks reserve ratios and the rest. Apparently, however, the Reserve authorities have come to the conclusion that to continue this sort of expansion indefinitely would be to court ultimate disaster—and by one means or another have called upon business and the consumer to refrain. The basic cause of whatever tightness has developed in the money market is really to be found in an imbalance between saving and borrowing.

One would hardly suppose that such higher money rates as are now in effect would of themselves be a matter of very serious concern to legitimate business—not yet at any rate. It is, of course, to be recalled that any increase in interest paid by corporations—at least all but the very small ones—is half paid by Uncle Sam in most cases. Even a larger part of it is often paid by unincorporated business. It is possible, of course, that it may presently prove difficult to get funds for many purposes at all, or could be if restrictions are carried far enough, and business or the consumer may presently begin to worry about what the future holds. In this way, of course, the general state of business could be affected, possibly considerably affected, but such is always the case when there has been too large a growth of the use of credit throughout the community.

Why not face this altered credit situation calmly and in historical perspective?

Continued from page 7

A Word of Caution and Praise About Consumer Credit and Growth

available to finance almost anything credit has become more agreeable to more and more people — and in this we have another reason for debt growth.

With most people, though not quite all, debt has lost the puritanical stigma that plagued its beginning and the earlier years of its growth: Middle and lower income groups and many of the "wealthy" have found a big difference between the Puritan's idea of "going into debt" and the more up-to-date idea of enhancing one's capital values—on credit.

Depreciated Consumer Durable Goods

I wish we knew the total of capital values held by consumers, both existing equities and the fully paid for values, gained through some form of time-payment buying.

No exact figure can be found and perhaps one couldn't be calculated. However, I submitted the question to one of Commercial Credit's researchers before coming here; and he estimated that out of $170 billion of durable goods of all types bought on time since V-J Day in 1945, the depreciated stock of durable goods now held by consumers has a value of somewhere around $55 billion.

And as a postscript to this, we remind you that here is a huge savings fund created out of instalment buying of automobiles and other durable goods whose years of services and utility outlasted the payments, an impressive negation of the "mortgaged future" concept of instalment credit.

But this isn't a place to go on discussing familiar thoughts about consumer credit.

Goes With High Level Economy

If we needed a single reason for the height of consumer debt and its growth in recent years, wouldn't it go something like this? Consumer debt is high, it has grown, because through the use of credit and the ingenuity of American production and distribution we have built in this country a high-level economy in which more people have a wider margin of income over mere subsistence with which to buy—on credit.

It is substantially correct that with all the whys and wherefores about consumer debt, its growth and decline result more from income variations than anything else.

And concluding our discussion of consumer debt we look ahead despite what we said about forecasting in the beginning—

No Limit to Economic Growth

Though economic seers are walking more softly into the future than for sometime past, —for the longer view there is wide agreement that what lies ahead is more vast than anything we have seen. Advanced technologies bordering on revolution; new products and new ways, new adaptations of old products and old ways flowing from practical research by businesses and universities: Virtually no limit to future growth of production and mass distribution.

Perhaps many of you have read the new book, "New Horizons In Business," published by Harper and Brothers. In it there are eight long-term projections by eight top economists of the country and even allowing for a wide margin of error the very lowest projection indicates great growth.

Mass Production Requires Mass Credit

To my point—

Basically consumer credit must be free to grow sensibly and soundly with this growing economy. It must not be bound by excessively austere viewpoints on how much consumer credit the nation can stand, for unless this is so there will be no great future for America. Inherent in mass production and mass distribution is mass financing, and to restrict credit too much would be a drag chain on progress.

For the longer view, the growth potential of consumer credit should forever heighten all of us working in it.

Backing up for a minute, and still on part two, we have left for discussion what we called "emotional arguments" about the consumer and credit management.

Well, as anyone working in consumer credit knows, the belief that a majority of consumers are profligate spenders and full users of their credit resources just isn't so. There are a few exceptions, naturally, but most men and women who buy on credit are overwhelmingly honest and do without if possession means going into debt beyond ability to pay. Actually, on the whole, people limit debt more than credit management restricts it.

No Concern Over Repayment Rate

Indeed, one of our big jobs in credit sales promotion is to try to persuade more people to use their unused but perfectly good credit resources.

The belief that any large body of consumer credit managers have been guilty of high and wide neglect of sound credit priciples fades somewhat as time goes by and liquidation of outstandings, the pulse of credit health, remains good by all historical standards.

Sure past dues are up some, however not much: Nothing to be concerned about. And short of a major business recession, which none predict, liquidation of consumer debt outstanding should remain good.

But this notwithstanding — as the poet said, "Our tomorrows are but yesterdays," and thus poetically we approach the topic itself —"A Word of Caution."

Recently I heard a definition of excessive drinking: "Excessive drinking is drinking between drinks." In somewhat the same sense, we can agree there's an awful lot of truth, we might say a lot of awful truth in the thought that credit management in recent months has been doing some drinking between drinks—credit wise that is. Excessive in a degree.

How come? You know the answer.

Cautions Against Abusing Credit

To match high-powered selling in many lines competitive demand for easier terms and lower credit standards of risk has been insistent, and in varying degrees credit sources have gone along with this demand. Some, deliberately and with forethought. Others, under pressures of competition—and we have competition in credit, too — have felt forced to violate their own minimum standards and practices and follow. After all, to say "Let competition have it!" requires courage and large wisdom.

As a result of this competitive pressure and the disposition of credit sources generally to go along with it, the consumer credit base has been weakened to some extent: By thinner purchaser equities in durable goods financing provided by lower down payments and longer average terms; and, in addition, by too little attention to the important factor of purchaser risk: In open account retail transactions, by reaching out and down for the marginal and poor risk.

No serious weakening—yet. We have already commented on the soundness of total consumer debt.

Rather we caution together here today because of a bad trend— and because we are old enough and wise enough to know that if the trend continues, if there should be any sizable accumulation of sub-standard consumer debt, it would not only be a menace to our own business, but a source of instability in the economy as well.

At which point of our talk we are left with an enormous question, mark, "So What?". Therefore, stay with me a little longer for I have an answer to suggest under the third and final part of our subject, the hope we share.

There is much talk about the present being "a time for greatness." Winston Churchill expressed it as "measuring up to the level of events."

Whatever our transgressions have been let us hope that from this day forward we in consumer credit management will measure up to the level of today's credit events and resist demands for credit which testimony of experience and the statistics of all consumer credit prove to be unsound.

"Purchase Equity" Criteria

We offer no manual on sound consumer credit operations, nor is one needed with an audience such as this. With durable goods financing you know that "purchaser equity" is one of the oldest rules there is, and it remains basic despite a growing belief by some that "purchaser risk" makes up for "no purchaser equity"; many around town qualify for credit without collateral but for the group demanding credit so "easy" that reasonable purchaser equity can't be maintained, with this group just purchaser risk won't get enough of your money back. You wrote the manual on open account retail credit.

Resist demands for credit below minimum standards whatever the pressures of competition. We all have to compete, of course. Success in business goes only to those who do compete successfully; however, when within knowledgeable limits we follow sub-standards set by competition we indict our own better judgment and in the process court loss and ultimate disaster. Moreover, "meeting competition" is often a big, fat, easy excuse for failure to "sell" credit. Proof: Interviewers in a number of actual tests were able to switch 30-36-month deals to 24 months and a better down payments which buyers could comfortably afford. The prospective buyer was shown in black and white impressive advantages to him for improving terms.

Easy? Measuring up? Not at all. But a little effort by everybody to maintain sound and sensible consumer credit standards will help mightily. Green, the historian, tells us that, "The world is moved not only by mighty shoves of heroes but also by tiny pushes of each honest worker."

A word of caution?

Avoiding Governmental Control

If together as credit managers we don't measure up, we are likely to go down the road together to central government control of a phase of our economy that has shown one of the finest records under private management.

We express no conclusion on Federal regulation of consumer credit.

Yet, still under the heading of hope I feel an urge to say this:

The President's request for study of consumer credit by the Federal Reserve Board asks that it be made "with particular reference to the probable effects of credit controls on general economic stability and the welfare of individuals and families."

In that general direction, let us hope that those who are conducting this study will begin with no deep conviction that we need consumer credit controls. We say this because here and there in Washington there is a clamor for controls; and if we have read our psychology correctly people tend to expose themselves to information which is consistent with their prior attitudes and to avoid exposure to information which is opposed to these attitudes.

The consumer credit picture is not perfect—nor will it ever be perfect; it will invariably have imperfections because it is human. Credit can never be made into a mathematical model.

No Need for Consumer Credit Control

But with its imperfections conceded we should still objectively and seriously consider whether Government should supervise actively and regulate and control credit relations between private parties. Past experience in this country with Government as a consumer credit manager wasn't good. And in England where credit controls were re-imposed last year, "Business Credit," a "hire purchase" journal published in England, reported recently that "Control is being thwarted by the deliberate and calculated way in which Hirers obtain credit," and that, "The credit crackdown is cutting business to shreds."

Maybe there ought not to be a law? Maybe we should hold the line more on our traditional beliefs in the power and the glory of unregulated enterprise?

The "self-interest" economies of Adam Smith: In his "Wealth of Nations," Adam Smith, you may remember, contends that the private interests and passions of men working in a free market provide a self-regulating system which is its own guardian—self-interest and competition acting one against the other.

Seventeen seventy-six economics you may say. And it is. However, much of its truth still prevails.

Self-Interest Regulates Best

Room for argument in favor of Government control of consumer credit lessens as credit sources and consumers themselves operate to blunt extremes in matters of unsound credit, the unfavorable trend we have discussed. Experienced credit sources systematically watch by classification any excess accumulation of sub-standard risks; and in situations where such conditions exist self-interest has already gone to work to correct the excess—we weep in "noncompetitive" sympathy for the inexperienced. Consumers, four times since 1940—consumers in their self-interest have cut down sharply on the use of consumer credit when lack of confidence in the future economy developed and employment seemed a little less secure.

So we come back to where we started — need for Government control of credit should be studied objectively and seriously.

Summary

In a meager and insufficient way we have said:

Consumer credit occupies a proud place in the American economy.

It is "high" consumer debt; higher at least than it has ever been but not out of line with other expanding dimensions of the economy—and there are good reasons for growth of consumer debt.

Total consumer debt remains sound.

Consumer credit trends have been unsound; and we share together the hope that credit management will correct its own transgressions, whatever these have been.

That questions of Government control of credit — standby control as a first step—should be studied objectively and seriously.

Our footnote on Credit Management:

Sometime back we mentioned new horizons for business, the projected great growth in our economy. For that growth there will be need for mountains of merchandise that will require billions of credit, so it seems safe enough to do a little forecasting in the end and say that up those mountains is a high road to a new executive summit for Credit Management.

Continued from first page

The Practical Investment Aspects of Atomic Energy

plied to language embody the lesson,

"In words, as fashions, the
same rule will hold,
Alike fantastic if too
new or old:
Be not the first by whom
the new are tried,
Nor yet the last to lay
the old aside."

Previous Inventions

To sharpen my meaning I would like to refer to some very notable examples. Nicola Tesla came to this country in the early 80's with the brilliant idea of the rotating magnetic field which was basic to alternating current generation and motors. European financeers had turned him down as visionary and Mr. Edison, who employed him for a year or so after his arrival, laughed at the idea of alternating current for electric service, firm in the belief that only direct current could be safely transmitted and used for light and power purposes. Incidentally, it is interesting to note that when alternating current was firmly established largely through the work of Tesla and George Westinghouse, Mr. Edison retired from the electrical field so far as his inventions were concerned and devoted himself thereafter to other areas of discovery. Financial backing for Tesla's ideas was lacking because it was a new field.

Even Mr. Edison's incandescent lamp did not find easy financing and was possible only because men of great wealth, for that time, were willing to finance him entirely on risk capital. It was easily proven that the cost of making incandescent lamps was beyond the reach of all but the well-to-do, therefore, it could never find a wide market. Trust officers would not have invested in the enterprise.

Henry Ford and his horseless carriage and the Wright Brothers with their idiotic flying machine (the mathematicians having proven conclusively that a heavier-than-air machine could not stay aloft) are other examples of inventions which ultimately proved exceedingly profitable but whose securities certainly would not have had a wide and ready market 50 to 75 years ago.

For the successful development of basic ideas at least five things are necessary. These are vision, money, time, worth and salesmanship. To these my subject adds a sixth which is safety.

Real Cost of Research

Research is fundamental to every expanding business. In fact it is highly desirable even in a static business and the investor can well ask as to the research program of any enterprise into which he contemplates putting his money. In private business, as distinguished from public ownership, research becomes an element of cost both of the present and the improved product; it is reflected in the prices charged; it must be amortized over a reasonable length of time so that it does not unduly inflate prices; it should be paid out before obsolescence or advancement of the art has made the product inferior or of no value; and finally it must be generally financed out of earnings. It is readily apparent that unless the competitive market or the need for sales volume limit prices the stockholder may not have to pay the bill, but whenever accruals within the time limits are insufficient the stockholder does pay. In governmental proprietary undertakings the public pays directly for both good and bad results in research and conduct of the business. There is no profit in government enterprises accruing to the taxpayer. You have never seen as a credit on your tax bill profit from the Post Office, net income from rivers and harbors expenditures, return from investment of tax funds in REA's and certainly no taxpayer has ever made any money out of TVA, unless he happens to be one of the beneficiaries either as a large industrial concern receiving sub-cost power service or an inhabitant of the Tennessee Valley whose electric bills are in part paid for by taxpayers all over the Nation.

Atomic Development as Defense Cost

In the development of atomic energy we are confronted with a new situation. To date most of the tremendous cost has been for defense purposes. Including fiscal year 1956, some $16 billions have been spent by the government under the direction first of the Manhattan Project and for the past 10 years under the Atomic Energy Commission. Under the 1946 Atomic Energy Act the field was closed to private enterprise except as contractors for the government in building or operating some of the installations. The Amended Act of 1954 cracked open the door but by no means swung it wide for the admission of private enterprise, even for peacetime uses. This is not said critically, as I do not believe anyone can seriously contend that atomic energy is something which can be treated as is the production, processing and manufacturing of any other kind of product.

Theoretical Possibilities of Atomic Energy

Thus far the development of peacetime uses may be likened to a field in the jungle which has never been exposed to cultivation. In this field there are great rocks to be removed and deep crevasses to be filled before it is ready for ploughing, seeding and harvesting. Many of the original rocks are still there and if I may carry the comparison one step further, we know that in and around them are venemous serpents whose deadly power can strike down not only the intrepid explorer, but the whole camp from whence he came.

Certain things have been proven. We know definitely that the heat generated by nuclear fission is sufficient to generate steam for industrial purposes, particularly the generation of electricity. We also know that the chain reaction can be controlled so as to make the generation of this heat continuous. A third established fact is that with safeguards already known the process can be conducted with safety.

Enormous Cost & Minute Output

The above facts, however, are presently of theoretical rather than economic interest. The situation is very similar to the development of commercial electricity in the days of Tesla and Edison or of trans-Atlantic transportation when the Wright Brothers flew their plane at Kittyhawk. I venture to say that had atomic fission not been conceived as a powerful and awful mechanism of war we might never have developed it for peacetime uses. When you stop to think that for just one gaseous diffusion plant there are required and are now in operation two huge electric generating plants totalling over two million kilowatts, the enormous cost of the Portsmouth Gaseous Diffusion Plant and the Clifty Creek and Kyger Creek Steam Electric Generating Plants are beyond the reach even of our modern industrial giants. Furthermore, the output from the Gaseous Diffusion Plant is but the end of the processing for the separation of the uranium istopes and production of U 235, the fissionable material. Add to these generating plants with their long transmission lines, which have been financed and are being operated by private enterprise, the other plants at Oak Ridge, Savannah River, Paducah and the very costly laboratories at Brookhaven, Chicago, and the now already enormous National Reactor Testing Station at Arco, Idaho and you can commence to understand why $16 billions has been required. At least $12 billions of which has been for capital outlay. Thus far the only usable end products have been weapons of war and a few isotopes which in relatively small quantities have found a place in medicine and some industrial plants.

Substitution in Theory and Practice

For commercial use, thus far the most promising end product is heat and the competition in the BTU field is severe. It may be true theoretically that a pound of U 235 is equivalent to 2,600,000 pounds of coal, but the substitution of one fuel for the other is not so simple. Whether the ultimate use of the power be for propulsion or for the day-to-day uses of electric light, heat and power, nuclear fission can supplant only the heat-furnishing component of the over-all process and it is working against a constantly moving target.

If we turn back 250 years to the time of Newcomen, whose engine produced the equivalent of 55 kilowatt hours per ton of coal consumed, the contest might not have been so severe. Today, steam electric plants are under construction which through the use of steam at super-critical pressures will produce 3,450 kilowatt hours per ton of coal, and the end is not yet!

Unquestioned Future Needs

Despite all I have said, we cannot question the ultimate development of power from nuclear fission and some great minds are even envisioning harnessing the heat of nuclear fusion. The situation is like the frog in the well, who, despite his best efforts could make no headway in climbing out until the snake fell in then he quickly found himself at the top because he *had* to get out. So it is with our future energy supplies. Allowing for greater efficiencies it now seems apparent that fossil fuels available for steam generation and produced at costs which will keep energy priced within an economic range will be exhausted within the next 100 years. This assumes a continuing increase in population and in worldwide productivity projected at even less than the current rate. Considering the backward nations which are now seeing the light literally as well as figuratively the co-efficient of worldwide production may well increase.

So as world population grows and the standards of living are improved, more and more energy will be required and a source supplementary to those now available is essential. It is of the utmost importance, therfore, that study, research and experiment in the field of nuclear energy be continued and enlarged. The best results will be obtained most quickly if the team of government researchers and facilities can pool with all the forces of private enterprise without being harrassed by either the whip of restrictive laws or the gadflies of socialism.

Just from reading the newspapers I am convinced that the present Atomic Energy Commission is sincere in its efforts to bring private enterprise more and more into the activity, realizing that the unprecedented results which have been attained in this country above and beyond all others, is proof positive that the same vision, the same brains and the same promise of ultimate rewards will lick the difficulties in the minimum of time.

First Cost Breakdown

The 19th Semi-Annual Report of the Atomic Energy Commission covering the six months ended December, 1955, for the first time breaks down some of the financial statements revealing items of great interest. For instance, the cost of procuring, processing and refining source and special nuclear materials in fiscal year 1955 was $785 million, and for 1956 these costs were estimated at almost $1,100 million. Out of a total estimated operating cost of $1,700 million again in 1955, $118 million were spent in reactor development and the estimated cost for this work in 1956 is $160 million. Compared to these figures the total cost of the weapons program in 1955 was $260 million, excluding the cost of source and special nuclear materials in weapons components or consumed in weapons research and tests.

Private Enterprise Activities

Even with the 1954 amendments, all source, fertile and special materials are still the property of the government and while they can be loaned or leased they cannot be sold. At present this does not seem to be a deterrent as the AEC extends cooperation to every research undertaking which gives promise of uncovering new facts or leading to ultimate successful commercial operation. There are now five reactor types under development with others just coming up on the horizon. The reactors in operation such as the one in the "Nautilus" are the pressurized water type. The Consolidated Edison Company of New York has been granted a construction license for a pressurized water reactor supplemented by an external oil fired superheater; the Commonwealth Edison group will experiment with a boiling water type; the Detroit Edison group with a fast breeder; the Pennsylvania Power and Light Company with an homogeneous and the Consumers Public Power District of Nebraska with a sodium graphite reactor. Other interesting possibilities are the liquid metal cooler and the use of organic compounds for both coolant and moderator.

A listing of all the obstacles to be overcome and the bugs to be discovered and eliminated would make a paper in itself. The effects of radiation both on the fuel materials and on the metal cladding and other parts of the reactor have by no means reached final solution. The conformation and type of the fuel assemblies, the fuel processing and reprocessing, safe waste disposal, corrosion of reactor parts, contamination of fuel elements and equipment outside of the reactor, and containment of the area of risk are just some of the items on the exploratory and development agenda. This can be said, any cost figures as to kilowatts of capacity or kilowatt hours of generation are but little better than educated guesses. Of course a plant of a certain conceptual design can be built and firm bids have been made and accepted for such construction. However, even if built according to plans and specifications there is as yet no assurance that the plant will be satisfactory in operation or commercially competitive in cost. Experience is needed; the wider, the better.

The history of the electric utility companies discloses a progressive outlook and operation recording a continuous record of improved reliability, expanded uses and lowered costs ever since the opening of the Pearl Street Station. There is no need to bring to your attention the situation in America where every home and essentially every farm either has service or has it available. No job has proven too big nor, outside of the area served from government plants, has the supply been too little or too late. On this record the utilities have advanced their claim to participation in nuclear reactor practice and to that end have either committed or agreed to spend some $300 million. I have already mentioned some of the leading groups which are actually engaged in the work.

The safety requirements of the Atomic Energy Commission have brought the insurance problem into the limelight. The companies can only go as far as the insurance companies will in turn offer coverage. Beyond that most men who are advised think the risk is small but government insurance is the only answer until statistical and actuarial experience proves otherwise. Another present barrier is the Public Utility Holding Company Act which by definition would make into public holding companies subject to jurisdiction of SEC industrial firms which through their participation might come out with a 10% or more ownership in a nuclear reactor generating station supplying energy into a utility system. It is true the SEC by rule has temporarily at least waived jurisdiction in such instances, but it is unfortunate the Congress before adjournment did not see fit to enact either the Cole Bill providing for insurance, or the Price Bill amending the Public Utility Holding Company Act of 1935.

On the other hand, to the credit of Congress the Gore Bill setting up a $400 million "crash" program was rejected in the House. For reasons which I have attempted to lay before you the improvidence of starting a $400 million program of large reactors in the light of present knowledge must be apparent. There are many other facets to this subject which neither time nor immediate relevancy permit for discussion.

It is about time for a conclusion. Ultimately nuclear power is a must and will be fitted into plans of companies which even now offer sound investment possibilities. The accomplishment of this end in my opinion will be expedited by further relinquishing of governmental controls consistent with security problems; an improved politico-economic atmosphere which will provide a greater incentive to industry; a sharp increase in private research and development expenditures for commercial nuclear power; more extensive education and training of our young people so as greatly to increase the pool of scientists and trained personnel necessary for both the development and later operation of nuclear reactors and plants; a constructive program of tax relief for research expenditures and the improvement of potential incentive rewards by conforming patent regulation in the atomic field to those established for other industrial objectives.

In my judgment atomic energy *per se* does not at this time offer the investor the stability of capital or income consistent with the conservatism of trust fund investments. However, do not overlook the importance of timing, and I will go out on a limb by saying that within the next decade advantageous investment possibilities will commence to appear and within the next 25 years only those making use of this new primal energy source can be looked upon as leaders and companies safe for the future in the electric utility field.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

Not all fire-casualty insurance companies report at the mid-year on first half operating results, but a sufficient number, including leading units, have issued interim figures as to be representative of the industry. Of the leading multiple-line companies that have thus far reported, only a handful wound up in the black so far as their statutory underwriting activities are concerned. And it is surprising that the shift from black figures to red should be so pronounced a change from the like half-year of 1955.

For example, in the first half of 1955 Fireman's Fund of San Francisco showed a statutory gain of $58,000 (parent company; but few consolidated reports for the 1956 first half have been issued thus far), while in this year's half it showed a loss of $7,638,000. The casualty part of the business suffered less than the fire, yet the usually profitable showing of United States Fidelity & Guaranty turned a profit of $2,031,000 in the 1955 period into a loss of $2,839,000 in 1956, a change of $4,870,000.

Aetna Insurance went nearly ten times as deep into red ink as in the 1955 first half; and proportionately the two America Fore companies, Continental Insurance and Fidelity Phenix, reported even less favorably. And this condition in the industry was in spite of the fact that thus far in 1956 we have had no visits from hurricanes, which in the preceding five or six years had been so costly to the insurance companies.

But other developments had taken place of the hurricanes. First, fire losses rose sharply. In the seven months through July of this year they were $54,784,000 higher than in the same months of 1955, an increase of 10.3%. In the mid-west there were some very costly tornadoes; the fire line experienced its increase in losses along with the going into effect of rate reductions. Most major lines of business showed some deterioration in statutory underwriting results; and probably not the least important contributing factor to the unfavorable showing has been the tendency toward carelessness that seems to accompany boom conditions in industry and commerce.

Probably it is all best summed up in the semi-annual income report of Fireman's Fund Insurance Company:

"In the last quarter of 1955 a claim frequency trend developed which accelerated during the first half of 1956. In addition there were a number of major catastrophes, highlighted by unexpected disasters at sea and in the air and severe windstorms in the Middle West.

"The property and liability insurance business has always been a cyclical one and we have faced underwriting loss cycles before. This year, however, we have the unhappy experience of recording an underwriting loss on all major classes of business we underwrite except fidelity and surety, on which class the profitable results of recent years were substantially reduced due to an increasing number of defalcations in financial institutions and failures on the part of experienced contractors."

This portends considerably less favorably underwriting results for 1956.

FIRST HALF YEAR

	Statutory —Gain or Loss*— 1955	1956	Combined Loss and Expense Ratio 1955	1956
Aetna Insurance	—$489	—$4,789	98.6%	104.1%
Agricultural Ins.	140	— 819	97.8	108.0
American Ins.	—2,555	— 5,346	102.2	106.4
Bankers & Shippers	238	— 108	92.1	101.2
Continental Casualty	5,766	5,030	90.8	93.7
Continental Insur.	— 283	— 3,237	97.7	107.9
Federal Insurance	2,565	100	85.2	96.3
Fidelity Phenix	— 128	— 2,840	97.3	110.0
Fire Association	44†	— 2.271	98.1	107.9
Fireman's Fund	58	— 7,638	94.7	109.1
Glens Falls	122†	— 2,810	98.4	105.6
Ins. Co. No. Amer.	—2,209	— 301	97.9	97.0
National Union	— 669	— 1.828	104.4	111.5
New Amsterdam	— 82	— 2,015	97.1	103.4
Northern Insur.	11	— 726	93.3	102.9
Pacific Fire	268	— 123	92.2	101.2
Pacific Indemnity	731	— 315	93.4	100.7
St. Paul F. & M.	1,805	— 1,519	92.8	102.2
Seaboard Surety	477	867	81.0	65.5
Standard Accid.	— 329	— 1,852	97.4	102.0
U. S. Fid. & Gty.	2,031	— 2.839	93.7	97.2

*Parent company, unless otherwise noted. Data in statutory column in thousands. †Consolidated data.

Intensified Seasonal Business Revival Seen

First National City Bank foresees inventory build-up accentuating the strain on manpower, materials, and industrial capacity as a result of a general atmosphere of rising prices, employment, and income, heavy demand from consumers, business, and government, and widespread optimism and confidence

Looking into the second half of 1956, the September "Monthly Bank Letter" of the First National City Bank sees "little indication as yet that rising prices, pinched profit margins, or tight money policies are causing a measurable reduction in the current capital goods boom."

The monthly report on Business and Economic Conditions states that "the seasonal revival of business activity which usually gathers speed after Labor Day promises to be intensified this year by the after-effects of the steel strike. Where the strike caused slow-downs, industry is now busy catching up. Prices and incomes are rising, and in general optimism is more pronounced than it was earlier this year. The recent tightening of credit has not touched off a wave of pessimism as it did in the spring; instead, many regard these moves as a confirmation that good times lie ahead—times so good that they require restraint to keep them from getting out of hand.

"One reason for this feeling of optimism is the ease with which most of the economy rode out the steel strike. Total employment set a new record in July, and, on a seasonally adjusted basis, so did retail sales and construction activity. Despite the strike, over-all industrial output dipped only 3½%. Fortunately most steel-consuming firms had sufficient stock on hand to maintain production during July; manufacturers of machinery and most other producers' equipment and consumer durable goods increased their rates of output on a seasonally adjusted basis.

"The speedy resumption of steelmaking and the continuing heavy retail demand promise a boost in over-all production in August and September. The steel industry's recovery has been as rapid as repairs and wildcat strikes would permit; by the end of August its operations were back to 96.5% of capacity. Retail sales in August appear to have held close to the record levels of the preceding three months, and government officials predict that August employment figures will show another new peak.

"Inevitably, the strike intensified the difficulty which certain industries were having in obtaining the types of steel needed. Heavy goods lines generally are plagued with unbalanced steel stocks and uncertain delivery schedules. It will be many months before this situation is cleared up, particularly in structural steel.

Wages, Prices, and Purchasing Power

"Between record-breaking employment and the pattern of substantial wage boosts which reached its climax with the steel settlement it is little wonder that consumer income is setting new records. In June, personal income achieved the seasonally adjusted annual rate of $324 billion, topping June 1955 by $18 billion. As might be expected, consumer expenditures also have risen to new heights. However, roughly one third of the advance in dollar sales during the first half of 1956 represented higher prices rather than increased physical volume. The question now is: How much of the widely anticipated increase in consumer buying power in the months ahead will be dissipated on rising prices and how much will be left to support a growing volume of production?

"Business news in recent weeks has been highlighted by numerous announcements of price increases at both wholesale and retail. The most important of these was the boost in steel prices, averaging $8.50 per ton or 6.25%, announced by U. S. Steel on Aug. 6. Other steel producers soon followed. Prices and wages in the the aluminum industry also advanced during August, while prices of several basic commodities firmed during the Suez crisis.

"A great many durable goods producers found in the steel price rise an opportunity for catching up with other cost increases—labor, raw materials, and freight—and by the end of August prices were up for a wide range of products, from small components to heavy machinery. However, the price advance is still far from being general, even among steel-consuming industries. Depending on their competitive situation, some firms are absorbing higher costs, others are marking time until they can determine the full extent of their cost increases, and still others, as in the automobile industry, are holding the line on prices of current models but plan higher prices on forthcoming new models.

Soft Spots

"Moreover, some soft spots persist in the economy. Prices have been weaker recently for copper, lumber, synthetic textiles, and in some localities, crude petroleum. On the whole, the Bureau of Labor Statistics broad index of wholesale prices of industrial commodities reached a new peak in the week ended Aug. 21, up about 1% from July, following three months of relative stability.

"Consumer prices have likewise tended higher. After three years of virtual stability, during which the BLS consumer price index fluctuated fractionally within an over-all range of 1%, prices have risen 2% in the three months ended July 15 to a new record. Officials anticipate a further but more moderate rise in August. The three-month rise has been due primarily to a jump of 5% in retail food prices, but prices in other major categories have also been edging upward.

"The rise in the cost of living has brought automatic wage increases of 3 to 5 cents to about 1,250,000 workers in the automobile, aircraft, electrical machinery, and other indusrtries with escalator clauses in their union contracts. These higher wages will in turn add to the cost-push and demand-pull for still higher prices.

Resistance to Spiraling Prices

It remains to be seen how much of the recent price increases in steel and other basic commodities will seep through the economy to the retail level. The inflationary potential of such basic price boosts is largely a matter of the speed and the intensity with which they spread and the extent to which they are absorbed.

"The experience at wholesale is that between 1947 and July 1956 prices of steel mill products rose 80% (not including the latest price boost), while prices of producers' finished goods increased 48%. Consumer durable goods prices rose only 26% at wholesale. At retail the rise has been much less, reflecting a narrowing of distributors' margins.

"Part of the explanation for the slower rise in prices of consumer and producer durable goods than in steel prices lies in the greater over-all stability of other costs. In addition, producers have limited price increases on many of these products because of highly competitive conditions and consumer resistance. Where increases in efficiency and productivity have lowered unit costs, higher steel prices have often been wholly or partially absorbed; even in firms where such cost-cutting has not occurred, competitive pressures have often forced absorption of higher materials costs at the expense of profit margins.

Profit Squeeze

Some observers have viewed this squeeze on profits as imperiling the high rate of business investment which has been one of the mainstays of our prosperity. However, a substantial share of expenditures on new plant and equipment — probably a larger share than is generally realized—goes for modernization and replacement of existing facilities than than for expansion of capacity. Business men have recognized increasingly in recent years that to stay competitive they must redesign products, provide newer machinery, streamline operations, and otherwise promote greater efficiency and productivity.

"At any rate, there is little indication as yet that rising prices, pinched profit margins, or tight money policies are causing a measurable reduction in the current capital goods boom. Nor is inventory reduction likely to be much of a brake on business activity in the second half. The general atmosphere of rising prices, employment, and income, heavy demand from consumers, business, and government, and widespread optimism and confidence seldom goes hand-in-hand with inventory liquidation. It is more likely to lead to an inventory build-up, accentuating the strain on the nation's resources of manpower, materials, and industrial capacity, and adding to the pressure on credit."

Reynolds Adds Two

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — James E. Ryan and Norman K. Stewart have become associated with Reynolds & Co., 425 Montgomery Street. Mr. Ryan was previously with Dean Witter & Co.

Charles P. Hazelwood

Charles P. Hazelwood, Vice-President of Carolina Securities Corporation, with headquarters in New York City, passed away Aug. 29 at the age of 61 following a brief illness.

Continued from page 3

Corporate Finance Developments: Characteristics and Changes

ditional funded debt, usually a formula limiting debt to a percentage of net tangible assets or net worth. Sometimes current borrowings, not considered funded debt, are also limited to prevent their becoming funded debt in fact by renewals. Keep in mind that a debenture holder is a general creditor, so bank loans would rank equally in case of trouble. Not infrequently a company must covenant to maintain working capital at a minimum level. The theory back of this is to permit the debenture holders to move in and try to correct the situation if things get bad enough to result in violation of this covenant. Limitations on dividends are also common, as are restrictions on sale and leaseback of major properties. Appropos the latter, you can readily see what would happen to the senior position of the debenture if the major properties were sold and then leased back. The lease rental becomes an operating expense and as such comes in ahead of interest on the debentures. Many other provisions and restrictions are used in certain situations, but all provisions are basically aimed at three things —maintaining the prior position of the debenture, preventing improper dilution of its position through creation of additional debt, and preventing damage from rear door dissipation of assets such as would result from inordinate dividend payments.

The sinking fund is very common to debentures. While not a protective or restrictive provision, it does provide for orderly retirement of debt—a good thing in itself—but also a major point of interest to institutional investors particularly. They want a regular turnover of their investment funds in order to average out on changes in interest rates. It also provides market support over the years as the company buys in debentures to meet sinking fund requirements. Consequently, a sinking fund is an attraction to buyers and is a factor in pricing. The recent $300,000,000 General Electric debenture issue had a 65% sinking fund which greatly broadened the market for the issue and certainly affected the price obtained.

Subordinated and Sub-Subordinated Debt

The debenture we have been talking about is a senior security —in fact, the senior security of a company. Of increasing use in recent years has been its cousin, the subordinated debenture. This instrument is by its terms a junior obligation, payable in case of trouble only after the senior debenture is satisfied in full. Its early use was mostly by finance companies, but more recently it has also been used by industrial companies, particularly as a convertible security. The subordinated obligation is really a glorified preferred stock; from the point of view of the senior money, it is junior money and therefore like preferred stock money; but from the issuer's point of view it has the great advantage of its interest being deductible for tax purposes while preferred stock dividends are not. Another cousin has also come on stage in recent years—the sub-subordinated debenture, sometimes called a capital note.

The finance companies have been highly successful in the use of these three layers of debt, largely because of the high degree of liquidity of their assets. There exists today a pretty well established pattern or rule of thumb in the use of various layers of securities. It goes something like this. For each dollar of common stock, a company can sell 50c of preferred stock. On this $1.50 it can then sell 50c of capital notes. Then on this $2 of junior money it can sell a $1 of subordinated notes; and on this array of various types of junior securities now aggregating $3, it can borrow senior money at the rate of 250% or $7.50. Under this pattern the company can raise $10.50, of which only $1 is common stock investment.

Debt has been the bulk of corporate financing, and its use has been ingenious as well as heavy. The serious inflation of the past 25 years, the threat of more inflation, the impact of high corporate tax rates and the availability of large sums of institutional funds for buying debt securities have all contributed to this result. Whether business is overdoing its borrowing is a question no one can answer, but concern about it has been expressed in certain quarters. The fact is that the answer can only be given with respect to each individual company in relation to its own situation and type of business. To generalize is meaningless beyond saying that a company should certainly avoid a debt that could endanger its solvency in rough times and should always stop borrowing at a point short of its maximum limits. Some additional borrowing capacity should always be kept in reserve against the day when money is needed and borrowing is the only practical way to get it.

Complicated Preferred Stock Changes

Turning now to preferred stocks, we again look at an instrument of finance used for leverage purposes—the obtaining of money at a fixed rate. It's more costly than debt but has the big advantage of not risking bankruptcy. In its simplest form it is a stock with priority over the common stock as to dividends and in liquidation. But in use it has developed into a more complicated creature with protective and restrictive provisions not dissimilar in many ways to debenture indentures. Most of these are provided by requiring a class vote to do certain things. For example, it is usual to prohibit the creation of a prior stock or adverse alteration of the provisions of the stock without consent of two-thirds of the preferred stock affected. The issuance of more of the same stock without meeting earnings or asset tests usually requires a majority vote. Some preferreds limit debt and some restrict dividends on the common. Normally a preferred doesn't vote but quite frequently the preferred as a class acquires the right to elect a minority or even a majority of the Board of Directors in the event of a stipulated number of quarterly dividend defaults.

Preferred stocks, again like debentures, frequently carry other provisions to help sell them, such as sinking funds, market purchase funds, and conversion or participating features. And again like debentures, junior preferred stocks have been used with some frequency—stocks clearly junior to a senior preferred, usually called preference stocks. As in the case of industrial subordinated debentures, most of these junior preference stocks have been convertible issues.

I am not going to dwell on common stock as an instrument of finance, since its nature and use is substantially in line with the text book definition. It is true that there are common stocks without voting powers and common stocks convertible from one class to another, but this type of variation is by far the exception rather than the rule. One important variation in common stocks is the preemptive right, but I should like to talk more fully about that a little later.

Redemption Rights and Call Premiums

An almost universal feature of senior securities—bonds, debentures and preferred stocks is the right of redemption by the issuer. In exchange for this right of the issuer, the buyer insists upon a penalty or redemption premium. The theory is that the buyer has spent time and effort in deciding to buy a security and he feels that he should be paid something if his security is taken away from him. Since it is obviously highly desirable for the issuer to be able to redeem a security, the penalty is readily accepted. Years ago, the call premium was normally a fixed figure, often a high one, and it usually remained steady throughout the life of the issue. In recent financial history, however, the pattern has developed to an initial redemption premium approximately equal to the coupon or dividend rate and this initial premium is then gradually scaled down over the years. Variations from this general pattern usually are the result of changes in money market conditions, and become an important factor in pricing and selling an issue. In periods of low yields on bonds and preferred stocks, the buyer is less concerned with the possibility of having his investment taken away and the issuer can get low call prices and favorable terms on their scale-down. In periods of higher yields, the buyer looks for more protection and they have learned this from experience. In 1953 many bond issues were sold at high yields and within a year or so were refunded at lower rates. One issue was in fact refunded before even paying its first interest coupon. Today we are once again in a period of high money rates and investors are demanding very stiff terms in the form of high initial call prices, and a protraction of the high call price period rather than a gradual scale-down. In many cases the security is even made non-callable for a number of years. Even more frequently we are now seeing more of what we call financial non-callability. By this we mean that bonds may be paid off at a fixed call price out of excess funds or even from the proceeds of equity securities, but they are completely non-callable if their redemption is to be effected through the proceeds of other borrowings obtained at a lower rate.

Southern California Edison's Experience

Turning now to the use of various types of securities, I repeat again that the numerous variations in standard type securities will be used to fit the needs of each financial problem—both to fit the company's needs and to attract buyers. I won't spend time on the more or less routine issues of a standard nature, but you may be interested in examples of using various types of securities to meet unusual financial problems. One case is the financing of Southern California Edison Company in 1947, which financing was really a corrective or preparatory action rather than financing to raise money. During and following World War II there was a great deal of refunding of higher rate preferred stocks in the utility industry, but this particular company had refused to take this step. Its President, Mr. Mullendore, was highly critical of the artificialty of interest rates under the managed money policies of the New Deal and Fair Deal Administrations. Since most of his preferred stock was owned by people in his territory, and therefore customers as well as stockholders, he was loath to redeem 5½% and 6% preferreds and sell them a 4% stock for fear that changes in money markets might drop the value of the new 4% stock substantially and thus cause a great deal of ill will among these people. His point was well taken because other companies who had done it experienced substantial stockholder irritation when their new 3¾% and 4% stocks sold in the 80's and 70's in 1946 and 1947.

Too Much Preferred

The Company was also concerned with the possibility of a decline in business activity in Lower California from the high peak reached during the War and, consequently, did not contemplate the necessity of raising substantial new money after the War. It soon became evident, however, that the growth of California had only begun and by the end of 1946 it become apparent that instead of a decline in activity a further growth boom was in process. At the time the Edison Company had 45% debt, 28% preferred stock and common stock and surplus of 27%. They also were faced with an unusual situation in that the Company was then converting its entire system from 50-cycle to 60-cycle voltage. This involved a very substantial cost but it was permitted to charge these additional expenses to operations. This meant that its earnings for the time being would be depressed, but it also indicated that when the job was completed, its earnings would automatically be increased.

Out of this combination of circumstances it was evident that it already had too much preferred stock, thereby effectively closing the door to that vehicle of financing, and the unusal circumstances with respect to common stock earnings made the sale of common stock very expensive. We finally arrived at a plan that seemed to be the perfect answer to this rather difficult situation. We decided to offer to each holder of the outstanding 5½% and 6% preferred stocks the right to exchange into one-half share of a senior 4.32% preferred stock and one-half share of a 4.48% junior preference stock convertible into the common at a price above the then market.

Unique Financing Successful

The exchange offer was a large and dramatic undertaking and it worked out very successfully. As a result the following things were accomplished. First, the total senior preferred stock was reduced from 28% of capitalization to less than 15%, thus opening this vehicle for raising new money. Secondly, the junior preference stock could now be treated as junior equity and from the point of view of additional senior preferred stock it could be ranked the same as common, so it had substantially the same effect for this purpose as selling common. Thirdly, the foreseeable end of the voltage conversion expense indicated subsequently higher earnings, a higher price for the common and, accordingly, conversion of the preference stock. So it became a means of selling common through conversion at a much higher price than if common had been sold initially. Fourthly, the customer-stockholder who made the exchange saw depreciation take place in his one-half share of senior stock as money rates changed, but this depreciation was made up by the apperciation in the convertible preference stock.

As a result all objectives were accomplished, the most important of which was getting the capitalization in shape to facilitate sale, from time to time, of various types of securities to best fit the Company's needs and money market conditions. From that time to date over $440,000,000 of new money has been raised by this Company, which compares with a total capitalization of $307,000,000 less than 10 years ago and today its capitalization is substantially stronger than it was at the end of 1946.

Financing Growth Company

Financing of a growth company is one of the most difficult financial problems and at the same time one of the most interesting. I would like to tell you about the history of The Haloid Company as an example. This had been a successful small enterprise for many years, engaged in the manufacture and sale of photocopy machines, photocopy and photographic papers. After the war they ran across a new invention which promised to become a fourth major method of reproduction and they undertook to develop the process which they called xerography. This new development had growth promise. Meanwhile the management wanted to strengthen the Company's regular business and improve existing facilities, both for its own sake and as a stronger base for its new developments. At the time the Company had a total capitalization of only $2,000,000 and assets of under $4,000,000. Our first step was to sell $1,000,000 of preferred stock privately to provide the needed funds and at the same time avoid any dilution of the common prior to xerography developing its anticipated promise.

Development With Least Expenditure

The Company realized it could not provide all the money needed to develop xerography properly so it took other business steps too. It gave the basic patents to Batelle Memorial Institute in exchange for their doing the major research and development work, but retaining exclusive rights to the patents. It decided to explore and expand xerography in its own field and sub licensed major companies in other fields on a royalty basis. In both steps it aimed at the great possible development at the least expenditure of Haloid money—and the least dilution of its common stock. Progress began to be made and by 1950 more money was needed and, that time, common stock seemed the logical way to raise it. To do so we sold common stock under rights in the ratio of one new share for each three shares held and thereby raised $1,300,000 for the Company. After further progress we sold convertible preferred stock in 1952 and raised $2,300,000. This was a device aimed at raising the most money with the least common dilution. By 1954 we had built sufficient equity to justify $3,000,000 of long-term debt.

As a result of these steps we raised $7,700,000 of new money for a company with a capitalization of only $2,000,000 in 1946. The Company's sales have grown during the same period from $6,700,000 to $21,400,000, an increase of 316% and its net income has grown from $147,000 to $1,162,000 or an increase of 792%. These rather dramatic increases were accomplished with an increase in common stock outstanding of less than 60%. It seems to me that this Company has served its stockholders well and at the same time has maintained a strong and sound financial position throughout the period.

90% Promotional Money Via Debt

You might also be interested in an example of a promotional financing. Several years ago we had the opportunity to study a proposed oil refinery to be built in Puerto Rico and after a great deal of investigation and study agreed to become a co-promoter and banker for the project. To make a long story short, the plant itself was contracted for at a maximum cost basis, the crude oil was contracted for under long-term contracts and substantially all of the output was likewise contracted for under long-term contracts. In addition the new company was given a 10-year tax exemption. All of these factors and, particularly the long-term contracts for purchase of crude and sale of products, made possible a wholly different approach to the financing than would have been the case in an ordinary commercial venture. The total cost of the plant plus the amount needed for working capital, interest during construction and related matters aggregated $24,500,000. Of this amount we raised $12,500,000 through first mortgage notes which we sold to three major banks, another $10,000,000 was raised through the medium of debenture units. These units consisted of a $1,000 6% debenture and 30 shares of common stock, and on this basis the people who put up $10,000,000 for the debenture issue received 30% of the total stock in the company. The remaining $2,000,000 was raised through the sale of common stock for cash.

Here is a case where over 90% of the total money needed for a wholly new company was raised through debt. This was obviously made possible by the contractual nature of the proposed operation and by agreement to apply substantially all the cash income of the company to debt retirement. On the basis of the projected earnings all of the debt would be paid off in less than four years. The pattern of this financing isn't new, as it has been used in other "through-put" types of venture such as pipelines, but I believe it is an interesting example.

Questions Preemptive Rights

I should now like to come back to a subject previously touched on, namely, preemptive rights offerings of common stocks. By preemptive rights, I refer to the requirement that a new issue of common stock be offered in the first instance to existing stockholders by means of warrants. Preemptive rights are frequently required by a company's charter and not infrequently are required by State law, particularly if a charter is silent. There are those who believe that preemptive rights are sacred and an inherent God-given privilege of common stockholders. I personally do not subscribe to this theory, but rather believe that a company should be free to sell stock for cash or to offer it in the first instance to its stockholders in its discretion.

In theory, preemptive rights seek to protect the stockholder from having a company sell a large amount of stock to others at an unduly low price, thereby diluting the equity position of existing stockholders. I am sure that history would record instances of this type of thing, but such an action is obviously bad faith on the part of management, and such conduct today certainly would be most unlikely in view of the disclosure requirements of the Securities Act. The real test of which route to follow is, in my opinion, a question of judgment in each particular situation as to which is better for the company, and what is best for the company is likewise best for the stockholder.

Preemptive Theory vs. Practice

The basic argument in favor of a preemptive rights offering to stockholders is that they are then in a position to purchase their pro-rata share of the new offering and thus maintain their position in the company. To the extent that they are not able to exercise their rights, they are in a position to sell them for cash and thus recoup an amount equal to the dilution they suffer. This is fine in theory but in practice it does not work out quite that way. The vast majority of stockholders find themselves without adequate funds at the time of the offering to purchase the shares offered them. While one can't generalize completely on this subject, I believe it is a fair estimate that in the usual successful rights offering only about 25% or 30% of the new issue is actually subscribed for by existing stockholders. This means that the great majority of them sell their rights. At this point the small stockholder usually runs into further trouble in that he is most unlikely to realize the mathematical value of his rights. For understandable reasons the price he will get for oddlots will be something less than he would get for a large block, and he also has to pay something in the form of commissions or expenses for handling the transaction. As a result of both of these factors he can neither maintain his position in the company nor realize a proper compensatory figure on the sale of his rights.

Special Benefit Is Small

Despite the theory and the mathematical results, many stock holders nevertheless like to receive rights because the sale of rights seems like an extra dividend and is usually not taxable as ordinary income. Today many rights offerings, and particularly by utility companies, are at 6% or 8% below market, so that the theoretical value of the right is only 15c to 20c per share on a medium priced stock. Under these circumstances the stockholder isn't getting much of a so-called special dividend. If the rights offering is made at a substantial discount from market so that the rights are worth a good deal more, he will probably feel better and will certainly feel better about what he gets. Yet the experience of these substantial discount rights offerings is that they act as a serious depressing influence on the market for the stock itself and this might take a year or more to correct itself. Consequently, he may lose more on the oranges than he gains on the bananas.

Straight Cash Offering Advantage

In contrast let us look at the advantages of a straight cash offering to the general public. In the first place the offering can be made at the then market for the stock. By being offered at the market instead of at a subscription price below the market it is obvious that fewer new shares have to be sold to raise the same amount of money. As a result the dilution to present stockholders is less. The over-all cost of sale to the company will also be less and the depressing influence on the market will likewise be less.

To me the logic and practicalities favor the cash offer method and, in my opinion, constitute the best protection for the small stockholder. The large stockholder, such as institutional buyers like investment trusts, insurance companies and others can usually be found on the side of the rights offering for the simple reason they are normally in a position to take up the new stock offered them, and in so doing they are buying the additional stock at a cheap price. As in so many thinks, these matters are not always argued or decided on logic and mathematics. It has been my experience, however, that managements of companies have been conscientious in examining all pertinent factors, both tangible and intangible, in selecting their course of action when freedom of choice is available to them.

I hope my comments have pointed up the myriads of variations that exist both in the make-up of securities and in their use. While a good deal of the subject of corporate financing is technical, it is not magic or mysterious. The technical side is learned in this field as in any other business, and thereafter its practice is essentially the use of some imagination and a lot of common sense.

Musson, Coss With Byrne & Phelps

Byrne and Phelps, Incorporated, 44 Wall Street, New York City, take pleasure in announcing the association with their firm of

James F. Musson

Walter F. Coss

James F. Musson, as General Manager of the Trading Department and Walter F. Coss as a member of the Sales Department.

Jim, as his large acquaintance of friends call him, comes to Byrne and Phelps after many years of association in the municipal bond business.

He first became associated with the Municipal Bond Department of Lehman Brothers in 1930, where after short training as a trader in general market securities, he specialized in bonds of the State of New Jersey and its many municipalities.

In 1938, he became associated with B. J. Van Ingen & Company, to continue the specialty of New Jersey trading as head of that department. He has remained there until the present time with the exception of four years during World War II, when he served as a First Lieutenant in the 313th Bombardment Wing of the 20th Air Force and was stationed on the Island of Tinian in the Central Pacific. During this time he served as a combat Intelligence and Air-Sea Rescue Officer.

Since the War, in addition to trading and underwriting, he has been active in revenue financing in New Jersey. In recent years new laws have heen adopted which permit both public and private financing of sewer and parking revenue bonds within the State. He has pioneered in this field of activity and has helped make it possible for many municipalities to obtain this financing.

A life-long resident of Bergen County, he is a former President of the School Board of his home community and has served in the capacity of advisor to many school districts in their financing problems. In 1941, he was Chairman of the National Municipal Committee of the National Security Traders Association, an active member of the New Jersey Bankers Association, the Municipal Bond Club of New York, the Security Traders Association of New York and the Bond Club of New Jersey. He has served as a member of the Board of Governors of the two aforementioned organizations, the latter of which he is at present the Secretary.

Mr. Coss will serve as Sales Representative in New Jersey. He too was formerly associated with B. J. Ingen and Company for the past 22 years, representing them in that territory. During World War II, he served for four and a half years in the Armed Forces, part of that time as Sergeant Major of the Armed Forces School, Fort Nnox, Ky. with the rank of Master Sergeant. He is a member of the New Jersey Bankers Association and the Bond Club of New Jersey.

Neal Rantoul

Neal Rantoul, limited partner in F. S. Moseley & Co., passed away on Aug. 26.

Public Utility Securities

By OWEN ELY

General Public Utilities Corp.

General Public Utilities is a holding company controlling the following subsidiaries:

	Annual Revenues (Millions)	Totals by Areas
Pennsylvania:		
Metropolitan Edison	$42	----
Pennsylvania Electric	67**	$109
New Jersey:		
Jersey Central P. & L.	32	----
New Jersey Power & Light	15	47
Philippines:		
Manila Electric, etc.	20	20
		$174*

*After deducting $2 million "eliminations."

**In May this year Northern Pennsylvania Power was merged into Pennsylvania Electric, the latter's revenues being adjusted accordingly. (Brockway Light, Heat & Power, a very small subsidiary, is not included in the table.)

For many years the SEC had ordered that, under the Public Utility Holding Company Act, GPU must dispose of its Philippine subsidiaries, though the order was not pressed until recent years. GPU made efforts to find a buyer, but could not obtain a satisfactory price. In order to dispose of the SEC order, permission was sought from Congress to keep these foreign subsidiaries, and at the recent session a bill was enacted permitting GPU to retain Manila Electric Company as a subsidiary.

The GPU system is a survival of the old Associated Gas & Electric system, which at one time was reputed to have 167 subsidiaries of various kinds with assets carried at over a billion dollars. All the numerous sub-holding companies, investment companies and paper affiliates have been cleared away, and a number of operating properties sold or otherwise disposed of, so that the system now includes only one holding company, four major domestic operating companies, and one in the Philippines. Associated Electric Company, the last of the sub-holding companies, was dissolved May 7, 1956. Despite the drastic reduction in the number of operating subsidiaries system revenues are larger than those of the old Associated Gas system.

GPU itself has had a fine record under the constructive leadership of Al Tegen and other officers. Since 1946 revenues have increased about 124% and net income nearly 200%. The common stock record (as compiled by Standard & Poor's) has been as follows:

Year	Consol. Share Earnings	Dividends Paid	Approximate Price Range
1956	$2.90 Est.*	$1.80**	39-34
1955	2.71	1.73	40-33
1954	2.42	1.70	35-28
1953	2.30	1.60	30-24
1952	2.17	1.45	28-21
1951	1.84	1.25	21-17
1950	2.19	1.10	18-15
1949	2.00	0.85	17-11
1948	1.40	0.80	15-11
1947	1.40	0.80	17-12
1946	1.25	0.25	24-14

*In the 12 months ended June 30, 1956, $2.87 was earned, compared with $2.56 in the corresponding previous period. Of this amount 51c reflected Philippine earnings.

**Current rate.

While the earnings of the Philippine properties continue to gain, net cash receipts brought from the Philippines to New York for dividend payments or other purposes have declined recently, reflecting lower Philippine dollar reserves and the requirements of the Philippine Government for capital goods in connection with its rapid industrial and agricultural expansion. In the letter to stockholders dated Aug. 15, Mr. Tegen stated: "We regard our investment in the Philippines as attractive and have every confidence in the political and economic stability of the Philippines." Because of high fuel costs, the company is considering the construction of an atomic power plant for the Manila Electric System, which will require an agreement between the United States and the Philippine Governments.

Capitalization of the GPU system as of March 1, 1956, was approximately as follows:

	Millions	Percent
Subsidiaries' Long-Term Debt	$300	49%
Subsidiaries' Preferred Stock	75	12
Parent Company Common Stock Equity (9,703,000 Shares)	244*	39
	$619	100%

*Book value is $25 a share.

The GPU system required about $56 million for construction this year of which $18 million was generated internally. The remaining $38 million is being raised through sale of senior securities or by bank loans, and the company does not plan to sell any common stock until early next year.

GPU (NYSE symbol GUY) has been selling around 37 and pays $1.80 (of which 20¢ is allocated to Manila Electric), making the yield 4.9%. Based on the recent earnings of $2.87 the price-earnings ratio is 12.9, which compares with an industry average of about 14.5.

Securities Salesman's Corner

By JOHN DUTTON

A "Treasury of Tax Saving Ideas"

Have you ever wanted to obtain a complete, up-to-date reference book that you could turn to when you needed tax guidance? I have just been reading such a book! The investor, business man, corporation executive and especially the securities salesman, will find the answers to most of his questions in this clearly written and non-technical book. The title is "A Treasury of Tax Saving Ideas." It is published by Business Reports Inc., 2 East Avenue, Larchmont, N. Y. They are the same people who have issued the favorably known Lasser tax reports for many years.

Positive Approach

This is not a theoretical book. Instead, it gives you illustrations of how to use the tax laws to your advantage. It offers actual case histories of how others have made tax savings and handled practical business matters in the most profitable manner tax-wise. There have been many changes in the Internal Revenue Act revisions of 1954. Some of the changes are of major importance and not to know them can cost you money. There have been changes, for instance, in the tax status of American companies doing business in foreign countries that will have have an impact on their earnings. There are changes in about 80% of existing law which were made in 1954. The authors are members of the New York bar, as well as the Lasser Tax Institute. Where the Treasury has not taken a definite stand they have evaluated the risk involved and offered alternatives and recommendations.

For the Investment Salesman

Here is just one example which illustrates how the authors have handled a typical investment problem which is very common.

You have a client who purchased a stock on which he has a long-term capital gain. He doesn't know whether or not it will pay him to make a switch into another stock which seems to have a better future. After he pays his tax on the long-term gain he will have less to invest in the new stock. How much must the new stock out-perform the old one marketwise just to stay even? Let us use the formula suggested in this case and see how the authors of this book would do it:

Use this formula:

$$\frac{100\ ((\text{Cost plus (profit—25\%)}))}{\text{market}}$$

Example: Stock costing 50 goes up to 58

$$100\ ((50 \text{ plus } (8—25\%))) = \frac{100 \times 56}{58} = \underline{96.5\%}$$

The new stock must out-perform the old by 1.03 times (100 ÷ 96.5)

Here in this simple formula is a handy guide you can use on any long-term capital gain situation. Multiply the (cost plus the profit minus 25%) by 100 and divide by the market. You can determine the amount the new stock must out-perform the old percentage-wise and you can see the figures clearly. No guesswork, no fumbling in the dark. Don't you agree that this sort of figuring will be helpful to your customers and to you?

Treatment of Capital Gains and Losses

Simplified by illustrations the authors take you through case histories that you meet every day, whether your client is the proprietor of a business that may be operating one year in the red, and who has some long-term stock profits and who might find it disadvantageous to take his security profits in the year he has business losses, or if he is a $25,000 professional man who should and can convert $5,000 of losses and $5,000 of offsetting gains into a $1,075 of profit after taxes.

* * *

Space does not permit a full review of this comprehensive, simply written book. It covers four major phases of tax planning: Investments, Pay, Business and Family. Under investments there are so many new ideas you can use to advantage and which will help you to assist your customers in doing a better job with their investments that this portion of the book will be invaluable to securities men. Here's just one more example: Bonds selling flat, carrying back interest—"on a payment of *back interest* you do not have income. The interest payment reduces your tax cost for the bond. Payment of back interest often will lift rather than depress the price. This offers you a chance to sell out at a capital gain. (Note the payment of back interest only is tax free and can be cashed at capital gain rates.)"

The use of stock options, deferred pay, pension and profit-sharing plans, investments with unusual tax protection (Citrus, Timber, Oil), Real Estate, How to Use a Loss Corporation, Tax Planned Financing, Family Gifts, Trusts, Estate Planning—and practically every tax problem you wish to solve is covered in a manner you can understand. The book is a layman's encyclopedia on this ever-changing, involved, and most important subject.

Nothing you do in business today can be well accomplished and properly executed unless you first know where you are going tax-wise. Don't wait until after you have made your moves—then it may be too late. Find out first what is the best way to handle a situation—then check with your tax experts. For the investment securities man this book has a simple index, he can keep it on his desk, in his file, or in his brief case without difficulty; and if he wishes to know the answer to most of his problems and obtain some new, helpful suggestions for his clients, all he has to do is look in the table of contents—the answers and suggestions are in language he can understand.

Continued from first page

Current SEC Developments

formulated its revised proxy rules for contests and adopted them effective on Jan. 30, 1956.[1] These rules have been in effect during the 1956 proxy season. We believe they have worked well. The number of contests this year is running about the same as the years before. Although all of the contests under the new rules have been fought with vigor by the contesting sides, none broke out of bounds so far as our rules were concerned. The Commission's hand in administering the rules was greatly strengthened by the boost which the Court of Appeals for the Second Circuit gave us in sustaining the Commission's authority under Section 14. In an opinion handed down in January 1956, the Court said: "The Congress has clearly entrusted to the Commission the duty of protecting the investing public against misleading statements made in the course of a strugle for corporate control.[2]

The one aspect in which we are still having trouble under the proxy rules is where there appears to be a concentration of stock affiliated with soliciting persons but hidden in street name or by foreign financial institutions, thus making impossible our efforts to determine actual beneficial ownership. This is a problem to which we are giving careful thought and in which Committees of the Congress have expressed concern. So much for proxies.

I have been asked to discuss current developments at the Securities and Exchange Commission. I will divide these current developments into four categories—legislation, rule and form revisions, agency administration and, last, the role of the Commission in the capital markets.

Enforcement Amendments

In 1956, the Commission had its busiest legislative season in many years. Partly this was of our own making, and partly it was responsive to legislative drives that originated elsewhere in Government. First, we, ourselves, brought forward to the Congress proposed amendments of the Federal securities laws which would have strengthened our enforcement capabilities. In the Commission we refer to these as "technical amendments" because they would not in any way change the basic philosophy or general effect of these statutes. Rather, they are designed to strengthen the jurisdictional provisions of the statutes, to correct certain loopholes or inadequacies, and to facilitate criminal prosecutions and other enforcement activities. We consider these proposals to be vital to the effectiveness of our enforcement work. We were gratified, indeed, that they were sponsored in a bill[3] in the House of Representatives by the Chairman of the Interstate and Foreign Commerce Committee, Representative J. Percy Priest of Tennessee. I consider this to be of great importance to the ultimate success of this legislation because the Interstate and Foreign Commerce Committee of the House of Representatives has traditionally been the Committee in which the Federal securities laws, including the Securities Exchange Act of 1934 which established the Commission have originated. I am personally deeply appreciative for Representative Priest's sponsorship of this legislation. A counterpart bill[4] was introduced in the Senate by the Chairman of the Committee on Banking and Currency, Senator J. William Fulbright, at our request. Because of the pressure of other Congressional business, no hearings could be held on these proposals at the last session, but we are confident that they will be given consideration in the next Congress.

Some securities industry groups have expressed doubt about the wisdom of certain of the amendments we have proposed. We are hopeful that technical difficulties can be ironed out in the Committees, and that the basic objectives of this legislation will be supported by the securities industry.

Extending Act to Unlisted Firms

Secondly, the Commission, responsive to legislation which has been in the Congress off and on over the past ten years, and to a bill[5] which was introduced by the Chairman of the Banking and Currency Committee of the Senate at the close of that Committee's 1955 stock market study, engaged in the first complete and objective factual study of the financial reports and proxy soliciting material furnished to stockholders of about 1,200 large publicly held corporations the securities of which are not listed and traded on national securities exchanges and thus are exempt from the financial reporting, proxy and insider trading provisions of the Securities Exchange Act of 1934.[6]

The bill, which would subject to these provisions corporations having 750 or more stockholders, or debt securities of $1 million or more outstanding in the hands of the public, and $2 million of assets, has likewise been discussed by me in a number of talks before different groups throughout the country. Briefly, our report, furnished to the Banking and Currency Committee in May, endorsed the enactment of the financial reporting, proxy and insider reporting provisions of the bill, but recommended deferral of any action on the application of the insider short-swing-trading recovery provision of the Securities Exchange Act to these unlisted securities until further study of this complex and difficult subject could be made.

The fundamental basis for the recommendations we have made in regard to this legislation is that the public investors' position in the securities of the 1,200 companies covered by the bill would inevitably be improved by adherence by these companies to the financial reporting and proxy standards of the Securities Exchange Act and by the disclosure of insider trading transactions. But we could not, on the basis of the limited data available at this time, recommend the extension of the insider short-swing trading recovery provisions because of the possibility that their impact on the markets for the securities of a portion of the companies might adversely affect existing trading markets and possibly the new issues market should such companies seek to raise new capital. This we regard as of great importance, as the 1,200 companies' assets aggregate approximately $35 billion. They are not "little business" and the public has a great interest in their financial and corporate practices and the marketability of their securities.

NASD and NAM Opposition to SEC

Unfortunately, there is a split within the securities industry on the desirability of this legislation. Generally speaking, the stock exchange and financial analyst segments of the financial community support it, but the National Association of Securities Dealers, Inc., which is the only industry group registered under the Maloney Act amendments of the Securities Exchange Act of 1934 to provide industry self-regulation in the over-the-counter markets, has reversed positions which it took in 1946 and 1950 and is now opposing this legislation. Opposition also has been expressed by the National Association of Manufacturers and manufacturers associations of a few states.

We appeared before the Senate Committee in June and the Committee voted to take no action on the bill. However, we are hopeful that this legislation will again be considered in the next Congress.

Limiting Exempted Securities

Another area in which we have been extremely busy on Capitol Hill is with respect to various bills to repeal or amend Section 3(b) of the Securities Act of 1933. This section provides that the Commission may from time to time by its rules and regulations, and subject to such terms and conditions as may be prescribed, add to the classes of securities exempted in Section 3(a) of the Act, such as securities issued by the United States or other governmental organizations, commercial paper, building and loan association obligations, securities the issuance of which is subject to approval under the Interstate Commerce Act and certain other specifically exempted classes, any class of securities if the Commission finds that enforcement of the registration provisions of the Act with respect to such securities "is not necessary in the public interest and for the protection of investors by reason of the small amount involved or the limited character of the public offering," provided no issue shall be exempted the aggregate offering price of which exceeds $300,000.

The prime mover of this legislation is Representative John B. Bennett of Michigan, and his desire to afford the best possible legal protection to investors in small issues under the Federal securities laws is something for which he can only be commended whether or not one agrees with the particular legislation for which he has so strenuously fought in the Congress. Representative Bennett's first bill, introduced on April 21, 1955,[7] would repeal the exemptive provision entirely.

SEC Opposes Rep. Bennett's Bills

Hearings were held on this subject by the Subcommittee on Commerce and Finance, at which we testified, off and on from July 20, 1955, through May 9, 1956. We opposed this bill repealing the exemption although these hearings developed a good deal of factual information about the abuses of the public in penny stocks with which we have been attempting to deal by strengthening our filing requirements under the exemptive regulations and by stepping up our enforcement activities in our field offices. We opposed the repeal of the exemption on the ground that it would adversely affect the raising of capital by legitimate small business enterprises.

On Feb. 16, 1956, Representative Bennett introduced another bill[8] which would apply to persons associated with an offering under our exemptive regulations the same strict civil liabilities that pertain to persons associated with an offering under full registration.[9] We likewise opposed this bill on the ground that it would in substance require the equiva-

1 Securities Exchange Act Release 5276.

2 SEC v. May, 229 F. 2d 123.

3 H. R. 11129.

4 S. 3195.

5 S. 2054.

6 Report of the Securities and Exchange Commission on S. 2054 to the Committee on Banking and Currency, U. S. Senate, May 25, 1956 (Committee Print, GPO No. 77908).

7 H. R. 5701.

8 H. R. 9319.

9 Section 11 of the Securities Act of 1933.

lent of full registration for small issues and that this would have the indirect effect of repealing the exemption.

Hopes Klein Bill Will Pass

It is a rather interesting commentary on this bill that it seeks to impose on persons using offering circulars under a statutory exemption from registration far more drastic civil liability than is imposed on persons with respect to summary prospectuses which would be used in the sale of fully registered securities under the proposed summary prospectus rule, which I will also discuss. The 1954 amendments to the Securities Act specifically exempt the summary prospectus from the full statutory registration statement liabilities in order to encourage the use of summary prospectuses in the broad dissemination to investors of facts pertaining to securities being offered.

However, the Committee on Interstate and Foreign Commerce favorably reported this bill[10] and, although it was passed over in the last days of the Congressional session, I have every reason to believe it will be introduced in the next Congress.

To meet what we considered to be the objectives of this legislation without its drawbacks, Representative Arthur G. Klien of New York on May 17, 1956, introduced a bill,[11] which we supported, which would have enlarged the civil liabilities of persons responsible for misstatements or omissions of material facts, or for misrepresentation or fraud, in connection with exempt offerings, but which would not have gone to the lengths of the Bennett Bill which applies liability virtually of a fiduciary nature to all persons associated with an offering whether having knowledge or being responsible for misstatements, omissions or misrepresentation or fraud, or not. Only three members of the Committee voted for the Klein bill, but we believe its enactment would be clearly in the public interest and hope that it will be sponsored in the next Congress.

Limit Utility Laws to Atomic Reactors

There has been other legislation, which I will mention briefly. Various proposals to amend the Public Utility Holding Company Act of 1935[12] in connection with exempting groups combining for the development of nuclear reactors from possible requirements under the Holding Company Act failed, but, responsive to the Committees of the Congress that considered this legislation, the Commission using its rule-making powers under the Holding Company Act on July 13, 1956, adopted a revision of its so-called Rule U-7[13] that accomplishes this result for groups organized not for profit and developing reactors in the experimental stage. We believe we have made a significant contribution to the development of atomic energy for peaceful purposes by this revision of our rules under the Holding Company Act. Legislation which would have exempted groups developing hydroelectric generating facilities from Holding Company Act standards we opposed and it was not pressed in the Congress.

There has, of course, been a great deal of other work for Congressional Committees and individual Senators and Representatives, particularly in the fields of anti-monopoly, pension and welfare funds, freedom of information, government operations and manpower utilization. In truth, as a bipartisan independent agency we spend a very considerable portion of our time, and properly so, assisting the Congress. This is a most important phase of our work.

Revisions of Exemptive Regulations

In rule and form making, the Commission has been extremely active and a large number of form revisions and simplifications have been made. I will not take time to detail these because I want to spend a few minutes on some of our current proposals, first in the field of small issues. As soon as the Committee on Interstate and Foreign Commerce completed its action on the Bennett and Klein Bills pertaining to Section 3(b) of the Securities Act and before the close of the Congressional session, we adopted revisions[14] of our exemptive regulations designed to clarify the disclosure requirements for letters of notification and offering circulars and to strengthen our enforcement capabilities. We also promulgated further proposed revisions[15] which, if adopted, will have the effect of curtailing the availability of the exemption. These proposals should receive the serious attention of business groups and the bar. They are made in recognition of the serious abuses of the investing public—the fraud, the high pressure selling, and the uncontrollable long distance telephone sales techniques, particularly in penny stocks, that have been inflicted on the American public by brokers, dealers and promoters taking advantage of our exemptive regulations.

The market action of penny stocks is relatively more drastic and volatile than the market action of securities having a higher unit value. The penny stock is not an investment medium, and in our proposed revisions, which are now out for comment, we are posing the question whether it is possible that the offering of an issue can be said, as the statute requires, to involve a small amount or to be of limited character when, typically, it may be an issue of three million shares at ten cents a share which will in fact be merchandised not by the use of the offering circular but by brokers, dealers and promoters using the telephone to lure unsophisticated people into securities of that kind. The true purpose of the exemption provided by the Congress for small issues is to facilitate the capital formation process for legitimate small business enterprises. It seems clear that too many of the penny stock issues have reflected an abuse of the exemptive rules in the sale of securities for purposes not consistent with the basic Congressional intent.

Small Issue Branch Established

The Commission was particularly interested that the President's Cabinet Committee on Small Business, in a progress report to the President of Aug. 9, 1956, recommended that the Congress raise the exemption from $300,000 to $500,000 but added the significant comment: "In order to prevent the proposed change from reducing protection to investors, the Commission should limit the exemption privilege to seasoned businesses and should withhold it from issuers of so-called 'penny stock.'"

Implementing our long standing recognition of the great importance to small business of access to the capital markets, particularly for equity money, not burdened by unnecesary governmental restrictions, on Aug. 16, 1956, The Commission established in our Division of Corporation Finance in Washington a new Branch of Small Issues which will be responsible for supervising and coordinating the examination by the staff, both in Washington and in the field offices, of filings for exempt offerings not exceeding $300,000 in amount.

Most Significant Step Forward

Another great step forward which the Commission is now taking was made possible by the statutory amendments of 1954,[16] which first provided for the use of summary prospectuses. We have recently circulated for comment a proposed summary prospectus rule.[17] This is an objective which we have long had in mind as we believe it will assist in the disseminating to the investing public generally information about the business and finances of companies bringing new issues into the market for primary distribution. It has always been the basic objective of the Securities Act that information about securities being offered be made available as broadly as possible to the public in advance of sale, but this over the years was restricted, because of the statutory prohibition against pre-effective offers and because of the full statutory prospectus requirements, until 1954 when the statute was amended to give the Commission more flexibility for rule making in this area. These 1954 amendments provided, subject to Commission rules, for pre-effective offers (but not sales) by means of expanded newspaper advertisements—the old fashioned tombstone now is considerably more informative than it used to be[18]—and by summary prospectuses filed as part of the registration statement. The amendments also eliminated certain other complexities and restrictions which served no useful purpose so far as the investing public was concerned and were burdensome to business.

These 1954 amendments in my opinion represent the most significant step forward taken since the Securities Act was enacted in 1933 in pursuance of the original basic Congressional purpose of providing the public investor with business and financial information about new issues on which to base his decision whether to buy the securities or not. It is the public investor that the Securities Act seeks to protect, but the protection sought to be afforded, absent fraud in the offering, is to put the investor in an informed position to make his own investment decisions, not to protect him against making his own decisions or to have a Federal agency make his decisions for him.

Disagrees With Attorney General Javits

The Federal securities laws do not—and I hope never will— give the Commission power to pass on the merits of securities or forbid securities of speculative quality to be sold. I stress this because there are some who think the Federal agency should have such power, including the very able Attorney General of New York, Jacob Javits, who is in charge of administering New York's anti-fraud law, who so testified before the House Subcommittee in the context of the abuses in the offerings of penny stocks.

In passing I think it is interesting to note that these 1954 amendments, unanimously adopted by the 83d Congress, were sponsored in the Senate by Senator Homer E. Capehart of Indiana, who was Chairman of the Banking and Currency Committee, and Senator Prescott Bush of Connecticut, who was Chairman of the Subcommittee on Securities, at a time when Ralph H. Demmler was Chairman of the Commission, and they went through the House of Representatives under the watchful eye of Representative Charles A. Wolverton of New Jersey, who was then Chairman of the Interstate and Foreign Commerce Committee. Representative Wolverton was a member of that Committee when the Securities Act was passed in 1933 and has throughout one of the longest and most distinguished careers in the House consistently supported the Federal securities laws and the work of the Securities and Exchange Commission in aid of the investing public.

It is also interesting to note that the only change made by the Congress in these amendments as they went through the legislative process in 1954 was to reject, on motion of Representative John B. Bennett of Michigan, a proposed increase in the exemptive amount from $300,000 to $500,000, a proposal supported by the Commission and which actually passed the Senate in the interest of facilitating the financing of legitimate small business enterprises, particularly those seeking equity capital.

But in connection with the use of summary prospectuses, and the opportunity their use should provide to disseminate to the public information about new issues, we also ask you to consider the responsibilities of industry, investment bankers and the bar to insure that this new instrument for wider and more effective communication with the buying public is not used improperly or in any way employed to discredit the standards and practices of the securities industry in which I believe the public in general has great confidence.

We have made a number of registration form simplifications, some of which are still pending, particularly a revision of a registration form for newly formed enterprises in extractive industries.[19] This is particularly pertinent because it would fit in with any further curtailment of the availability of the $300,000 exemption. The form is designed to be easily understood and completed by persons registering such issues.

Re-Examining Statement of Policy

We also have pending a revision of the Commission's Statement of Policy with respect to investment sales literature.[20] This has resulted in part from industry dissatisfaction with the Statement of Policy adopted by the Commission in cooperation with the National Association of Securities Dealers in 1950 and revised in 1955, but more important because the Commission after very intensive study has come to the conclusion that the Statement of Policy should be re-examined from the standpoint of its relationship to the basic disclosure and anti-fraud principles of the Securities Act. A number of meetings and conferences with industry committees during the past year did not produce agreement either between the Commission and industry representatives or agreement among various industry spokesmen themselves. Accordingly having in mind the great public interest in investment company sales literature and sales practices, the Commission determined to make this a matter of public participation and we have put out a proposed Statement of Policy for comment and scheduled a hearing. We seek the views of all members of the public who can contribute on this subject.

One of the cardinal principles of the Statement of Policy with regard to investment company sales literature is that investment income, securities profits, and the asset value of shares should not be combined for the purpose of portraying an over-all result in terms of a rate of return or a percentage yield on the investment. In the proposed revision, we seek to implement this principle by requiring that charts or tables shall show separately the three elements involved in investment company performance, namely, investment income, capital gains distribution, and asset value reflecting unrealized appreciation or depreciation.

Statement of Acceleration Policy

Another proposal in which the investment banking community and the bar should be interested, which we have presently pending for public comment, is our Statement of Acceleration Policy[21] with respect to the time at which a registration statement will be made effective by the Commission under Section 8(a) of the Securities Act. A number of Commission practices with regard to withholding acceleration have developed over the years, the legal validity of some of which has been challenged by members of this Section of the American Bar Association. Some individuals have even gone so far as to suggest that the statute be amended to take away from the Commission the power to deny acceleration in certain circumstances.

We have felt that administrative practices which have developed over the years should be made known to the public and subjected to public scrutiny. We have put out this Statement of Acceleration Policy particularly expecting comments from the bar, but we are not dedicated to adopting as Commission policy any of the policies which have been in effect in the past if we find in our consideration of the subject that any are unsound.

In the interest of fair disclosure, I should mention to you that there are several policies regarding acceleration which have been developed in the last year to meet administrative problems. These pertain to our unwillingness to grant acceleration where during the pre-filing or post-filing but pre-effective period there is evidence of "gun jumping," that is, pre-effective sales which are illegal. Also, we have been withholding acceleration where one or more of the underwriters does not meet the test of financial responsibility required under the Exchange Act, and, most important, we have been withholding acceleration where apart from the processing of the registration statement itself we have been making an investigation of the issuer or the underwriter for illegal or fraudulent activities. We have been acting in this area case by case and believing, as we have done so, that we are fulfilling the over-all objectives of investor protection expressed in the Securities Act.

Surveillance By Finance Division

Passing from rule and form revision to administration of the agency, I will call your attention briefly to the conditions that have prevailed. Under the Securities Act, our Division of Corporation Finance in Washington has examined the largest number of registration statements, almost 1,000, covering the largest dollar amount of new issues of corporate securities—$13.1 billion in the fiscal year ended June 30, 1956—of any ade of the 1940's was 1946 with 750 registration statements for period of the Commission's history. The record year in the dec-$7.4 billion, and the average was about 450 filings covering $3.8 billion a year. Also, our Division of Corporation Finance has examined proxy soliciting material covering more than 2,000 proxy solicitations, a record. Also, the Division of Corporation Finance has had supervisory policy making authority in the field of small issues, in fiscal 1956 numbering about 1,450 for about $273 million of securities being offered to the public under our exemptive regulations.

The Division of Trading and Exchanges has had regulatory authority over an increasingly large

Continued on page 26

10 H. R. Rep. No. 2513, 84th Cong., 2d Sess. (1956).

11 H. R. 11308.

12 S. 2643; H. R. 9743; Sen. Rep. No. 2287, 84th Cong., 2d Sess. (1956); H. R. Rep. No. 2694, 84th Cong., 2d Sess. (1956).

13 Public Utility Holding Company Act Release 13221.

14 Securities Act Release 3663.

15 Securities Act Release 3664.

16 P. L. 577, 83d Cong., 2d Sess.

17 Securities Act Release 3674.

18 Securities Act Release 3519.

19 Form S-3, Securities Act Release 3668.

20 Securities Act Release 3669.

21 Securities Act Release 3672.

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Current SEC Developments

number of registered broker-dealers. The figure is now up to approximately 4,600. Three years ago it was about 4,100. Also, the market surveillance function of the Division has had to cope with the most active trading markets, both on exchanges and over-the-counter, of many years. For example, in 1955 the number of shares traded on the New York Stock Exchange was about 1.2 billion and their dollar value about $38 billion, almost double the figures of two or three years ago. The market surveillance work conducted by our New York Regional office and by our Division of Trading and Exchanges is of great importance in the total impact of the Commission's work on the securities markets during the present period of activity on the exchanges and the over-the-counter markets. It is here that the minute-to-minute trading reported on the stock exchange tickers is watched and the daily quotation sheets read to detect unusual and unexplained price movements so that anything that suggests manipulative activity can be immediately followed up. Contrary to popular impression, many stock movements that have later become of great public interest because of some dramatic event, such as the decline in the Bellanca stock, or the recent surge in Northeast Airlines, have been under scrutiny by our staff almost from the moment that the movements developed, and we are running as a matter of routine trading quizzes and some full scale investigations in a considerable number of stocks. In addition to uncovering cases of fraud and maniplation, this market surveillance work by the Commission has a deterrent effect on would-be violators. The criminal penalties for fraud and for manipulation of securities prices are severe. The Enforcement Branch of the Division of Trading and Exchanges has had supervisory responsibility for a very large increase in broker-dealer inspections, securities investigations and fraud and market manipulation work.

Supervising Registered Companies

The Division of Corporate Regulation has found no diminution in the work of supervising registered holding companies and investment companies, all of which have been increasingly active and expanding.

Our nine field offices where the exemptive regulation filings for new offerings are made, where interpretations of law are given to the public, and where the broker-dealer inspections and investigative and anti-fraud work are done, have been more active than in any year in memory. Their work has assumed tremendous importance from the standpoint of the public interest because of abuses incident to the marketing of certain types of securities, such as penny stocks. In addition to the perennial problem of illegal distributions, mostly by long distance telephone from Canada, there has been a recent upsurge in high-pressure telephone "boiler-room" selling in certain parts of the United States, and our enforcement offices are engaging actively in programs to cope with this problem.

Staff Less Than Half That in 1942

Under these circumstances, it has been most gratifying to me that both the President and the Congress have supported our efforts to reverse the 15-year trend of successive reductions in the staff of the Commission by granting us increases of personnel in fiscal 1956 recently ended and in fiscal 1957 just begun. Many people don't realize that the staff of the Commission was reduced from over 1800 in 1942 to just under 700 in 1955. Reductions were justified as the Commission learned more effectively and efficiently to handle its statutory responsibilities, and as market conditions permitted, but in the light of present conditions in the securities markets it seems to us that a strengthening of the staff of the Commission is called for in the public interest. Our 1957 appropriation is such that we expect to be back up to a strength of 800 at the end of the fiscal year and we invite the support of the organized bar in our efforts to assure that the basic policies of the Congress enacted in the securities laws for the protection of the investing public shall continue to be effectively discharged by this agency. To do this the Commission must continue to be adequately staffed with professional people, lawyers, accountants, analysts, engineers, of fine capability, and the agency must be attractive as a place in which to work. The recent work load has imposed a real burden on our staff. It is particularly important as the service length of the staff grows that there be replacements in the lower age groups, and this year for the first time we have been actively recruiting from the law schools and business schools and are beginning to train and develop a new generation of Commissionprofessionalstaff.Wehope mission professional staff. We hope that many of these young people will make Government service a career.

Need for Higher Pay

One aid we have had in the past year was the 7½% increase in the statutory pay rates for the staff which became effective in March, 1955.[22] Also, in July of this year, by the Executive Pay Bill[23] Commissioners' salaries were increased from $15,000 to $20,000, with an added $500 for the Chairman, which will undoubtedly be of help in attracting and holding qualified Commission members. However, it should be noted that this legislation does not maintain that parity of salaries of members of an independent Commission having quasi-legislative and quasi-judicial powers with salaries of members of the Congress and the Federal District Judges which has been in effect during 18 of the 22 years of the Commission's history, and we so advised the Senate Post Office and Civil Service Committee in commenting at its request on the Executive Pay Bill. It seems to me that the bar has a great responsibility in this field.

We were extremely gratified that our 1956 and 1957 budget estimates were approved in full in the President's Budgets for those years, and our 1957 appropriation by the Congress for the first time in the history of the Commission was in the exact amount requested. We are particularly gratified by the interest and support we have received from the Independent Offices Subcommittees of the Appropriations Committees of the House of Representatives and the Senate. Representative Albert Thomas of Texas, Chairman of the House Subcommittee, took the time to visit one of our important field offices personally to observe our enforcement work, and Senator Carl Hayden of Arizona, Chairman of the Senate Committee on Appropriations, and Senator Everett M. Dirksen of Illinois, a member of that Committee, have deeply concerned themselves with our appropriation requests and the importance of our work for the investing public.

22 P. L. 94, 84th Cong., 1st Sess.
23 P. L. 854, 84th Cong., 2d Sess.

Role in Capital Markets

Finally, let me say a brief word about the role of the Commission in the capital markets. There has never been a time, I believe when our function in assuring to public investors in securities sold and traded in interstate commerce basic information about the issuing companies, and providing to investors market conditions constantly watched for evidence of manipulation and fraud, has been more important to the American economy. We see on all sides the burgeoning of this economy. We see the Gross National Product breaking through the $400 billion annual rate. A considerable portion, in excess of $60 billion, of this Gross National Product is applied for capital purposes, that is to say to provide plant facilities, tools and working capital needed by American industry if it is to respond to the increased productivity and the higher standard of living of which the American people are capable. Although the major portion of this $60 billion investment component of the Gross National Product is provided from internal sources, such as depreciation accruals and retained earnings, nevertheless, a very large amount of money, between $7 and $8 billion annually, must be provided by investment capital raised in the capital markets from the savings of the American people.

The confidence of the American people in the basic integrity of the capital markets is an important factor in their willingness to save and to invest their savings in the securities of American corporations. The contribution which the Federal securities laws, as administered by the Securities and Exchange Commission, makes towards the integrity of the capital markets is vital to the success of these markets in our free enterprise system.

General Mdse. Stock Offered by Straus, Blosser & McDowell

An underwriting group headed by Straus, Blosser & McDowell yesterday (Sept. 5) offered to the public 180,000 shares of common stock of General Merchandise Co., priced at $11.25 per share.

Net proceeds from the stock sale will be used to pay outstanding bank loans and to provide additional working capital. The company, with headquarters at Milwaukee, Wis., is engaged in the wholesale catalog mail order business. It serves more than 260,000 small-town and rural storekeepers in communities of under 25,000 population, principally in the middle west.

Giving effect to the current financing, capitalization will consist of 540,000 shares of common stock, $2.50 par value.

Sales have increased from $4,-106,313 in the 1952 fiscal year to $23,794,002 in the 10 months ended May 31, 1956. Earnings after taxes totaled $705,371 in the 10-month period, or $1.30 per share on the 540,000 shares to be outstanding.

John S. Bauman

John Sprague Bauman, associated with Auchincloss, Parker & Redpath in New York City, passed away suddenly Aug. 30.

Robert K. Fagan

Robert K. Fagan, partner in Charles F. Henderson & Sons, New York City, passed away Aug. 27.

With McCormick & Co.

(Special to The Financial Chronicle)

LONG BEACH, Calif.—John H. Pierce has become affiliated with McCormick and Company, Security Building.

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The State of Trade and Industry

(98.6% of capacity) and 32 million in the final quarter (98.9% of capacity).

"Iron Age" Fears Steel Demands Will Produce Crisis in Industry

The post-Labor Day bulge in steel demand will tighten the market to the breaking point. The pinch will affect all products, including some that are now in relatively easy supply, according to "The Iron Age," national metalworking weekly.

Strike losses are now beginning to make themselves felt. Producers are dropping as much as two months from fourth quarter allocations in an effort to wipe out heavy carryovers.

Within the last few days, steel mills have been flooded with orders from consumers who are just beginning to realize the seriousness of the situation.

The crisis has reached the point where Washington is getting feelers on the possibility of modified controls for the benefit of so-called defense-supporting industries.

It's hardly likely that control advocates will get their way. Such a step would inevitably lead to a "me, too" approach on the part of other industries and compound present confusion. But it's an indication of how tight the market has become. The producers, caught in the middle, are trying to make the best of a tough situation.

Meanwhile, hot-rolled bars and hot-rolled sheets have joined plates, structurals, and pipe on the list of hard-to-get products. Cold-rolled sheets, plentiful before the strike, already are on priority lists, will grow tighter as auto producers move into the market following the model changeover.

It all adds up to a tough fourth quarter for consumers and producers. And carryovers into first quarter will tighten the market after the turn of the year despite some opinion to the contrary. After that, consumers will be striving to rebuild inventories as a hedge against price increases at mid-year.

The plate situation is critical. One producer went into the strike with a 90-day carryover on this product. This means he will be unable to take any new business between now and the end of the year.

And some foresighted consumers who had ordered plates to be rolled on sheet mills at a time when sheets were plentiful now find that chances of getting delivery are slim. The pickup in sheet demand is taking up the slack on sheet mills.

Roger M. Blough, Chairman United States Steel Corporation, is reported to have stated on a Labor Day night broadcast, that the building industry faces a "very tight supply of steel" but that "there is plpenty of steel for automobiles," asserting "I do not believe there will be any shortage of autos because of the recent steel strike."

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry was scheduled at an average of 96.5% of capacity for the week beginning Aug. 27, 1956, equivalent to 2,376,000 tons of ingot and steel for castings as compared with 95.8% of capacity and 2,359,000 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 16.9% and production 415,000 tons. A year ago the actual weekly production was placed at 2,255,000 tons or 93.4%. 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.

U. S. Car Output Declines Again in Latest Week

Automotive output for the latest week, according to "Ward's Automotive Reports," dipped again.

The past week's production total of cars and trucks amounted to 76,661 units, a decrease of 11,960 units below the preceding week's output, states "Ward's."

Last week's car output dropped below that of the previous week by 12,499 cars, while truck output increased the past week by 539 vehicles. In the corresponding week last year 85,851 cars and 14,812 trucks were assembled.

Last week the agency reported there were 19,183 trucks made in the United States. This compared with 18,644 in the previous week and 14,812 a year ago.

Canadian output last week was placed at 0 cars and 261 trucks. In the previous week Dominion plants built 96 cars and 369 trucks and for the comparable 1955 week, 3,893 cars and 1,124 trucks.

Electric Output Lower in Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Sept. 1, 1956, was estimated at 11,565,000,000 kwh., according to the Edison Electric Institute.

This was an increase of 225,000,000 kwh. above that of the previous week. It increased 859,000,000 kwh., or 8.0% above the comparable 1955 week and 2,478,000,000 kwh. over the like week in 1954.

"Electrical World," a McGraw-Hill publication, estimates that 1,125,000,000 kwh. or 9.9% of the total electric utility output for the week ending Aug. 25 was used at Atomic Energy installations.

Excluding AEC use, output for the week totaled 10,215,000,000 kwh., 2.6% higher than the same period last year, also adjusted to exclude AEC use. This compares to a 4.0% increase in over-all output of the nation's utilities (11,340,000,000 kwh.), as reported by Edison Electric Institute.

Car Loadings for Aug. 25 Week Declined 2.1%

Loading of revenue freight for the week ended Aug. 25, 1956, totaled 770,413 cars, the Association of American Railroads announced today. This was a decrease of 16,859 cars or 2.1% below the corresponding week in 1955, but an increase of 93,715 cars or 13.8% above the corresponding week in 1954.

Loadings in the week ended Aug. 25 were 789 cars or one-tenth of 1% above the preceding week.

Livestock loading amounted to 10,163 cars, an increase of 2,377 cars above the corresponding week in 1955, and an increase of 824 cars above the preceding week this year. In the Western Districts, loading of livestock for the week of Aug. 25 totaled 8,091 cars, an increase of 2,172 cars above the same week a year ago, and an increase of 742 cars above the preceding week this year.

Forest products loadings totaled 49,426 cars, an increase of 1,136 cars above a year ago, and an increase of 305 cars above a week ago.

Ore loading amounted to 73,125 cars, a decrease of 17,263 cars below last year, and a decrease of 5,837 cars below last week.

Coke loading amounted to 11,226 cars, a decrease of 1,104 cars below a year ago, but an increase of 535 cars above the previous week this year.

All districts reported decreases compared with the corresponding week in 1955, except the Pocahontas. All reported increases compared with the corresponding week in 1954.

Business Failures Up Slightly

Commercial and industrial failures rose slightly to 237 from 215 in the preceding week, reported Dun & Bradstreet, Inc. This increase lifted the toll above the 215 occurring in the comparable week of last year and the 193 in 1954. Failures were 3% above the prewar level of 229 in the similar week of 1939.

Failures with liabilities of $5,000 or more climbed to 203 from 174 a week ago and 181 in the corresponding week of last year. A decline occurred among small failures, those with liabilities under $5,000, where the level dipped to 34 from 41, but remained even with the comparable 1955 level. Liabilities in excess of $100,000 were involved in 17 of the week's failures as compared with 22 in the previous week.

Retailing and wholesaling accounted entirely for the week's increase; failures among retailers rose to 136 from 106 and among wholesalers to 23 from 19. The toll in manufacturing dipped to 36 from 39, in construction to 25 from 33, and in commercial service to 17 from 18. More retail businesses failed than a year ago, but in all other lines mild declines from 1955 prevailed.

Retail Sales Rise

Responding enthusiastically to **seasonal promotions**, consumers increased their buying this week. Retail dollar volume was moderately above last week's level and continued to exceed that of a year ago in most sections of the country. Interest still centered mainly on **Fall apparel**, although there was a pick-up in sales of some **household furnishings**. Both **new and used cars sold well;** inventories of new cars continued to recede.

The total dollar volume of retail trade in the week ended this Wednesday was 1% to 5% higher than a year ago, according to estimates by Dun & Bradstreet, Inc.

Retailers reported a substantial gain in sales of **back-to-school apparel** this week. Volume in **children's clothing** and **shoes** was moderately higher than a year ago. **Women's suits** and **sportswear** attracted favorable attention, as did **handbags** and other accessories. Fur sales revived, registering gains from a year ago. Men's apparel sold well in most areas, with emphasis on **suits** and **haberdashery.**

Although the sales of major **household appliances** were disappointing to many retailers, there were scattered gains in volume in **home freezers, dish washers,** and **garbage disposal units. Furniture** sales remained high, principally because of increased consumer buying of **dining** and **bedroom furniture. Lamps, occasional tables,** and **kitchenwares** sold well.

Retail food volume was high and steady this week. Consumers continued to spurn canned foods in favor of frozen and fresh produce. **Fresh meats, poultry,** and **dairy products,** were heavily purchased. Volume in **soft drinks** and **bakery products** increased.

Wholesale Commodity Price Level Down Slightly in Latest Week

The Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc., leveled off week ending Aug. 29 and moved slightly lower toward the end of the period to close at 296.40 on Aug. 28. This compared with 296.78 a week ago, and with 275.68 on the corresponding date last year.

Grain markets developed considerable weakness and most prices registered substantial declines for the week. **Corn** and **soybeans** were under pressure of general selling and liquidation as the Midwest harvest of these two cereals rapidly approached. Prospects for a record breaking **soybean crop** sent prices sharply lower and had an unsettling influence on other grains. Some selling in **soybeans** was also influenced by weakness in **vegetable oil** markets and slow export demand. **Corn** prices declined sharply although this year's crop will not be a record and is likely to be smaller than that harvested last year. Some mill buying of **wheat** and expectations of increased export sales helped to bolster wheat prices at times. Volume of trading in **grain** and **soybean futures** on the Chicago Board of Trade last week fell to a daily average of 43,800,000 bushels, from 52,500,000 the previous week, and 57,300,000 a year ago.

Domestic bookings of all types of **bakers' flours** remained at a very low ebb and the lack of interest shown among all classes of buyers indicated a continuance of limited bookings unless some strong new incentives appeared. There was some buying of **semolina** and **durum blends** early in the week on price concessions by mills. The **green coffee** market was more active with prices firmer, reflecting the possibility of a waterfront tie-up after Sept. 30, and the general upward adjustment of **coffee prices** at the wholesale and consumer levels.

Cocoa prices trended downward this week, with selling influenced by slow manufacturer demand and a weaker tone in the London market. Warehouse stocks of **cocoa** showed a further moderate decline to 512,522 bags, from 421,424 a week earlier. At this time last year they were 255,526 bags. **Lard,** demand was quiet and prices worked lower, influenced largely by further weakness in **vegetable oils. Hog prices** held fairly steady; market receipts were lighter than last year and the smallest for any week this year.

Spot cotton prices maintained a steady to firm undertone influenced by steady trade price-fixing and comparatively small hedges, and reports of an increasing holding tendency among growers. Other bullish factors included the expanding movement into the loan and predictions that the next crop estimates will show a substantial drop from the August forecast. Reported purchase of **cotton** in the 14 spot markets last week totaled 86,300 bales, compared with 165,700 in the previous week, and 129,900 in the corresponding week a year ago. **CCC loan entries** during the week ended Aug. 17 were 25,744 bales against 5,408 the week before, bringing total entries for the season to 31,100 bales, compared with 4,600 bales a year earlier.

Wholesale Food Price Index Lowest in Six Weeks

Prices of foodstuffs in wholesale markets trended generally downward this week and the Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc. fell 5 cents to stand at $6.04 on Aug. 28, from $6.09 a week earlier. The current figure is the lowest since July 17 when it stool at $6.01. It compares with $6.15 on the corresponding date a year ago, or a drop of 1.8%.

Higher in wholesale cost this week were sugar, coffee, beans, potatoes, raisins, currants, prunes, and steers. **Lower** in price were flour, wheat, corn, rye, oats, barley, hams, bellies, lard, cottonseed oil, cocoa, peas, eggs, and lambs.

The Dun & Bradstreet Wholesale Food Index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use. It is not a cost-of-living index. Its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Orders Up

An upsurge in reorders for **Fall merchandise** boosted the total dollar volume of wholesale trade this week; bookings were slightly higher than in the comparable week a year ago. Reflecting the favorable consumer response to promotional sales, retailers were particularly eager to round out their stocks of **apparel** and **housewares.** Buyer attendance at the wholesale centers was usually high.

Apparel buyers increased their reorders for **Fall clothing** this week. **Winter coats, suits,** and **sportswear** were among the best-selling apparel for women, while the buyer interest in **cocktail dresses** improved noticeably. There were numerous fill-in orders for **children's back-to-school specialties.** In **men's wear, jackets, slacks,** and **sport shirts** sold well. Sales of **shoes** remained high; slight gains from the year-ago level are expected to be maintained through the first half of 1957.

Dining and **bedroom furniture** were reordered more frequently than other kinds of furniture this week, while the buying of **major household appliances** dropped off somewhat. Some retailers increased their orders for **television sets,** anticipating an upsurge in consumer interest with the termination of the vacation season. Volume in **hardware** and **paints** remained high.

Wholesale food volume expanded moderately this week and was well above a year ago. There was renewed interest in **canned goods,** with particular buying emphasis on canned vegetables. Orders for **dairy products** and **poultry** were sustained at a high level. Trading in **dried fruits, flour** and **spices** was limited. There were moderate orders for **fresh vegetables,** while activity in **fresh meats** was generally dull.

Trading in textiles was slow this week, and ordering dropped below last year's brisk pace. There were scattered requests for **cotton gray goods** with very modest sales of print cloths and **sheetings.** Contrasting with the sluggishness in **carpet wools,** the buying of **wool fabrics** used for men's wear quickened and orders were sizable, sometimes running from 8% to 15% ahead of a year ago.

Department stores sales on a **country-wide** basis as taken from the Federal Reserve Board's index of the week ended Aug. 25, 1956, increased 8% above those of the like period last year. In the preceding week, Aug. 18, 1956, an increase of 5% was reported. For the four weeks ended Aug. 25, 1956, an increase of 7% was reported. For the period Jan. 1, 1956 to Aug. 25, 1956, a gain of 4% was registered above that of 1955.

According to the Federal Reserve Board's index, department **store sales in New York City** for the weekly period ended Aug. 25, 1956, registered on increase of 7% above those of the like period last year. In the preceding week, Aug. 18, 1956, an increase of 3% was recorded. For the four weeks ended Aug. 25, 1956, a gain of 8% was recorded. For the period Jan. 1, 1956 to Aug. 25, 1956, the index recorded a rise of 4% above that of the corresponding period in 1955.

The sharp increase in August was attributed to the fact that the department store sales were record breaking for an August month for the reason that the city enjoyed favorable weather conditions throughout August causing the dollar volume to exceed the comparative 1955 period.

A year ago, August, 1955, weather was a deterrent to business. The month was the hottest August on record and was threatened by hurricanes "Connie" and "Diane" resulting in the wettest such month on record.

With L. A. Caunter

(Special to The Financial Chronicle)

CLEVELAND, Ohio — Charles G. Nowacek is now connected with L. A. Caunter & Co., Park Building.

Green, Erb Adds

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Victor G. Glaser has been added to the staff of Green, Erb & Co., Inc., N. B. C. Building, members of the Midwest Stock Exchange.

Joins Bache Staff

(Special to The Financial Chronicle)

DETROIT, Mich. — Edward J. Harrington has become connected with Bache & Co., Penobscot Bldg.

With Bache & Co.

(Special to The Financial Chronicle)

MIAMI, Fla.—Samuel Solomon is now affiliated with Bache & Co., 96 Northeast Second Avenue.

Joins Columbia Secs

(Special to The Financial Chronicle)

MIAMI, Fla.—Sydney M. Sherman has joined the staff of Columbia Securities Company, Inc., of Florida, 3839 Biscayne Boulevard.

Joins Pan Am Secs.

(Special to The Financial Chronicle)

MIAMI, Fla.—Ronald B. Stucker is with Pan American Securities, 561 Northeast 79th Street.

J. A. Hogle & Co. Sells Cyprus Mines Shares

On Sept. 5, J. A. Hogle & Co., Salt Lake City, Utah, announced completion of their secondary offering of 35,000 shares of Cyprus Mines Corp. common stock (par $4). The non-registered issue was primarily distributed throughout Hogle's 17 branch offices at $67 net per share.

This represented the first wide-spread public distribution of shares in Cyprus Mines Corp. which is controlled by the Mudd family of California. In addition, Newmount Mining Corp. owns 203,125 shares.

The company is engaged in the operation and development of properties in the natural resource industries—mining, oil and timber. Operations are world-wide including copper mining on the Island of Cyprus and in Arizona, an integrated timber division in northwestern United States, iron ore mining in Peru, and oil exploration and development in the United States and Canada.

Peter Morgan Offers Mica & Minerals Stock

Peter Morgan & Co., of New York City, are offering publicly 570,000 shares of common stock (par 10 cents) of The Mica & Minerals Corp. of America at $1 per share.

Mica & Minerals will use the net proceeds for repayment of outstanding loans, to exercise an option to purchase property now under lease, for construction of a plant, and for general corporate purposes.

Mica & Minerals was organized in February, 1956 to explore for, mine and process scrap mica. The corporation in April, 1956, purchased all the assets of Monarch Corp., consisting of a 99-year lease on about 138 acres of land in Hart County, Ga., as well as an option to purchase such property and an option to buy an adjoining property.

Shearson, Hammill Opens Rochester Office

ROCHESTER, N. Y.—Shearson, Hammill & Co., members of the New York Stock Exchange and other leading stock and commodity exchanges, have announced the opening of an office at Rochester, N. Y., in the Triangle Building, corner of East Main St. and East Avenue, Schuyler C. Wells, Jr. is the Resident Manager.

Mr. Wells is a prominent Rochester business and civic leader. Prior to joining Shearson, Hammill he had been Vice-President and Trust Officer of the Security Trust Company of Rochester. He was a director of Graflex, Inc. and is at present on the boards of Trimble, Inc. and Garlock Packing Company.

MacAdam With First Mich.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Robert A. MacAdam has become associated with the First of Michigan Corporation, 135 South La Salle Street. He was formerly with Baxter, Williams & Co. and White-Phillips Co.. Prior thereto he was with the Northern Trust Company.

With Bache & Co.

(Special to The Financial Chronicle)

GREENSBORO, N. C. — Leslie G. Merritt has become affiliated with Bache & Co., 108 West Market Street.

Eastern Secs. Adds

(Special to The Financial Chronicle)

JACKSONVILLE, N. C.—Leadus R. Armes has been added to the staff of Eastern Securities Corporation, 331 Marine Blvd.

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.

Acme Steel Co., Riverdale, Ill. (9/18)
Aug. 29 filed 400,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—For part payment for the assets of Newport Steel Corp. and for working capital. **Underwriters**—Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

Aerovias Sud Americana, Inc.
Aug. 10 (letter of notification) $100,000 of 6% convertible subordinated debentures due 1971 and 35,000 shares of common stock (par $1). **Price**—Of debentures, 100%; and of stock, $3 per share. **Proceeds**—To pay outstanding obligations and for general corporate purposes. **Business**—A cargo air carrier. **Underwriter**—Beil & Hough, Inc., St. Petersburg, Fla.

★ Allegheny Ludium Steel Corp., Pittsburgh, Pa. (9/20)
Aug. 31 filed approximately $16,377,000 of convertible subordinated debentures due 1981 to be offered for subscription by common stockholders of record Sept. 19 at the rate of $100 of debentures for each 23 shares of stock held; rights to expire on or about Oct. 3. **Price**—To be supplied by amendment. **Proceeds**—To repay outstanding obligations and for expansion program. **Underwriters**—The First Boston Corp. and Smith, Barney & Co., both of New York.

★ Allentown Portland Cement Co. (9/25)
Sept. 5 filed 200,000 shares of class A common stock (par $1.25). **Price**—To be supplied by amendment. **Proceeds**—To two selling stockholders. **Underwriter**—Kuhn, Loeb & Co., New York.

★ Aluminum Co. of America (9/12)
Aug. 30 filed 150,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds** — To Arthur V. Davis, Chairman of the Board, who presently owns 1,336,824 shares. **Underwriter**—The First Boston Corp., New York.

★ American Insurance Co., Newark, N. J.
Aug. 31 filed 1,750,000 shares of capital stock (par $2.50) to be offered in exchange for outstanding 1,750,000 shares of capital stock of American Automobile Insurance Co. of St. Louis, Mo., on a share-for-share basis. This offer is conditioned upon deposit of at least 1,400,000 shares of Automobile stock. Kidder, Peabody & Co. will head group of dealers to solicit tenders.

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.

American Investors Corp., Nashville, Tenn.
July 13 filed 4,962,500 shares of common stock (par $1), of which 962,500 share are to be reserved for the exercise of options by company employees and 4,000,000 shares are to be offered publicly. **Price**—$2 per share. **Proceeds**—To purchase all of the common stock of American Investment Life Insurance Co., to be organized under Tennessee law. **Underwriter**—None.

★ American Mutual Fund, Inc., Los Angeles, Calif.
Aug. 31 filed (by amendment) 750,000 additional shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

★ American Pad & Paper Co., Holyoke, Mass.
Aug. 20 (letter of notification) 3,000 shares of common stock (par $20). **Price**—$50 per share. **Proceeds**—For working capital. **Underwriter**—Estabrook & Co., Boston, Mass.

• American Seal-Kap Corp. of Delaware
Aug. 7 filed 160,000 shares of common stock (par $2) to be offered for sale "to a small number of persons who will acquire the same for investment only." **Price**—To be supplied by amendment. **Proceeds**—To retire demand notes and for general corporate purposes. **Office**—Long Island City, L. I., N. Y. **Underwriter**—None. Statement effective Aug. 29.

American Telephone & Telegraph Co. (10/1)
Aug. 22 filed 5,800,000 shares of capital stock to be offered for subscription by stockholders of record Sept. 14, 1956 at the rate of one new share for each 10 shares held; rights to expire on Nov. 5, 1956. **Price**—At par ($100 per share) payable in one or two payments. **Proceeds**—For expansion of plant and for advances to, and investment in stocks of, subsidiaries. **Underwriter**—None.

★ Anheuser-Busch, Inc., St. Louis, Mo. (9/20)
Aug. 30 filed 328,723 shares of common stock (par $4). **Price**—To be supplied by amendment. **Proceeds** — To Estate of Edmee B. Greenough, deceased. **Underwriter**—Lee Higginson Corp., New York.

Arden Farms Co., Los Angeles, Calif.
June 15 filed $4,099,300 of 5% subordinated debentures due July 1, 1986 (convertible until July 1, 1964) and 63,614 shares of common stock (par $1). The debentures are being offered for subscription by preferred stockholders at the rate of $10 principal amount of debentures for each preferred share held, while the common shares are being offered for subscription by common stockholders at the rate of one share for each 10 shares held as of July 10; rights to expire on Sept. 25. **Price**—For debentures, 100% per $100 principal amount; for stock, $12.50 per share. **Proceeds**—To repay bank loans. **Underwriter**—None. Statement effective July 10.

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 Grocers, Inc., Seattle, Wash.
April 20 filed 5,703 shares of common stock; $2,000,000 of 25-year 5% registered convertible debenture notes; and $1,500,000 of 5% coupon bearer bonds. **Price** — Of stock, $50 per share; and of notes and bonds, 100% of principal amount. **Proceeds**—To reduce bank, mortgage loan, or other indebtedness; and for working capital. **Underwriter**—None.

Atlantic Oil Corp., Tulsa, Okla.
April 30 filed 2,000,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter** — To be named by amendment.

Atlas Credit Corp., Philadelphia, Pa.
June 11 filed $600,000 of 6% convertible subordinated debentures due June 15, 1968. **Price**—100% of principal amount. **Proceeds**—To retire indebtedness of the company to its affiliates for money borrowed for working capital. **Underwriters**—Hallowell, Sulzberger & Co. and Charles A. Taggart & Co., Inc., both of Philadelphia, Pa., and Weill, Blauner & Co., Inc. of New York.

★ Atlas Sewing Centers, Inc., Miami, Fla.
Aug. 27 filed 180,000 shares of common stock (par $1), of which 120,000 shares are to be offered for account of selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriters**—R. S. Dickson & Co., Charlotte, N. C.

Audubon Park Raceway, Inc.
July 13 (letter of notification) 600,000 shares of common stock (par 10 cents) to be offered for subscription by common stockholders at rate of 0.46875 of a share for each share held. **Price**—10 cents per share. **Proceeds**—For general corporate purposes. **Underwriters**—Berwyn T. Moore & Co., Louisville, Ky.; Gearhart & Otis, Inc., New York, and Crerie & Co., Houston, Tex.

Automation Development Mutual Fund, Inc.
Aug. 24 filed 300,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—Washington, D. C. **Distributor**—Automation Development Securities Co., Inc., Washington, D. C.

Automation Industries Corp., Washington, D. C.
May 11 filed 179,000 shares of common stock (par $1). **Price**—$5.25 per share. **Proceeds**—For working capital and other corporate purposes. **Underwriter** — None. Harry Kahn, Jr., of Washington, D. C., is President and Treasurer.

• Bahamas Helicopters, Ltd. (9/17-21)
July 13 filed 300,000 shares of ordinary (common) stock (par £1 sterling). **Price**—To be supplied by amendment. **Proceeds** — To purchase a 49% stock interest in Aero Technics, S. A., for approximately $500,000, to make a $200,000 down payment on three S-58 Sikorsky helicopters to cost a total of $1,025,000, and to retire $175,000 of indebtedness. **Underwriter**—Blair & Co. Incorporated, New York.

• Bangor Hydro-Electric Co. (9/12)
Aug. 21 filed 52,796 shares of common stock (par $15) to be offered for subscription by common stockholders of record Sept. 11, 1956 at the rate of one new share for each six shares held (with an oversubscription privilege); rights to expire on Sept. 25. **Price**—To be supplied by amendment. **Proceeds**—To retire bank loans and for construction prgram. **Dealer-Manager**—Smith, Barney & Co., New York.

Bentomite Corp. of America
June 29 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For mining expenses. **Office**—290 N. University Ave., Provo, Utah. **Underwriter**—Thomas Loop Co., New Orleans, La.

Big Horn Mountain Gold & Uranium Co.
Feb. 23 (letter of notification) 9,300,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—To be used for exploratory work on mining mineral properties. **Office**—1424 Pearl Street, Boulder, Colo. **Underwriter**—Lamey & Co., Boulder, Colo.

Birnaye Oil & Uranium Co., Denver, Colo.
April 6 (letter of notification) 1,000,000 shares of class A common stock (par five cents). **Price** — 10 cents per share. **Proceeds** — For mining expenses. **Office** — 762 Denver Club Bldg., Denver, Colo. **Underwriter**—Birkenmayer & Co., Denver, Colo.

Blackstone Valley Gas & Electric Co. (9/11)
Aug. 15 filed 25,000 shares of cumulative preferred stock (par $100), of which 1,430 shares are to be offered for subscription by common stockholders (other than Eastern Utilities Associates, the parent) on the basis of one preferred share for each common share held as of Sept. 11, 1956. **Proceeds**—To reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: W. C. Langley & Co.; Stone & Webster Securities Corp.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Harriman Ripley & Co., Inc. **Bids**—To be received up to 11 a.m. (EDT) on Sept. 11 at 49 Federal Street, Boston, Mass.

Bonanza Oil & Mine Corp., Boston, Mass.
July 30 (letter of notification) 34,140 shares of common stock (par 10 cents). **Price**—At market. **Proceeds**—For mining expenses. **Office** — 4 Liberty Square, Boston, Mass. **Underwriter**—Kimball & Co., New York.

Bridgford Packing Co., Anaheim, Calif.
Aug. 13 (letter of notification) 222,222 shares of common stock (par $1). **Price**—$1.35 per share. **Proceeds**—To pay obligations, purchase equipment, etc. **Office**—1308 No. Patt Street, Anaheim, Calif. **Underwriter**—J. D. Creger & Co., 124 North Bright Avenue, Whittier, Calif.

• Brown Investment Co., Ltd., Honolulu, T. H.
July 11 filed 60,075 shares of common stock (par $1). **Price**—At net asset value, plus a selling commission of 7½% of the offering price. **Proceeds**—For investment. **Business**—A diversified, open-end investment company of the management type. **Underwriter**—Brown Management Co., 833 Alaska St., Honolulu, Hawaii.

★ Burke Martin Mines, Inc.
Aug. 23 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—901 Sherman St., Denver, Colo. **Underwriter**—None.

Burma Shore Mines, Ltd., Toronto, Canada
July 26 filed 600,000 shares of capital stock, of which 500,000 shares are to be offered publicly, and 100,000 shares to promoters. **Price**—At par ($1 per share). **Proceeds** — For equipment, exploration, drilling, working capital and other general corporate purposes. **Underwriter**—To be named later.

Cadwell Mining Co., Denver, Colo.
Aug. 13 (letter of notification) 600,000 shares of common stock (par one mill). **Price**—50 cents per share. **Proceeds**—For equipment, payment of current liabilities and working capital. **Office**—2450 Kendall St., Denver, Colo. **Underwriter**—Wayne Jewell Co., Denver, Colo.

★ Canton Merchants Parking Corp.
Aug. 17 (letter of notification) $300,000 principal amount of 6% first mortgage leasehold sinking fund bonds due Sept. 1, 1981 (in denominations of $1,000 each). **Proceeds**—For construction of a parking building and leases. **Office**—538 Market Ave., Canton, Ohio. **Underwriter**—None.

Centers Corp., Philadelphia, Pa. (9/24-28)
July 30 filed $8,000,000 of 5½% sinking fund debentures due Aug. 1, 1971, and 1,600,000 shares of common stock (par one cent) to be offered in units of $50 of debentures and 10 shares of stock (neither of which will be separately transferable until Aug. 1, 1958). **Price** — $50 per unit. **Proceeds**—About $4,100,000 will be used to acquire seven shopping center sites and a Penn Fruit supermarket adjacent to one of them; the balance will be used to develop shopping centers at the seven sites and to acquire and develop additional sites for related real estate activities, and for general corporate purposes. **Underwriter** — Blair & Co. Incorporated, Philadelphia and New York. Latter has agreed to purchase an additional 300,000 common shares and reoffer them to persons selected by it at $1.10 per share. **Offering**—Expected latter part of September.

● Central Mutual Telephone Co., Inc. (9/7)
Aug. 22 (letter of notification) 21,025 shares of common stock (par $10) to be offered for subscription by common stockholders at the rate of one new share for each two shares held as of Aug. 29. **Price** — $12 per share. **Proceeds**—For working capital, etc. **Office**—Manassa, Va. **Underwriter**—Folger, Nolan, Fleming-W. B. Hibbs & Co., Inc., Washington, D. C.

★ Central Oils, Inc.
Aug. 24 (letter of notification) 500,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For oil development expenses. **Office**—Prineville, Ore. **Underwriter**—None.

● Century Controls Corp., Farmingdale, N. Y.
Aug. 27 filed $600,000 of 10-year 6% debentures. **Price**—90% of principal amount. **Proceeds**—For research and development; expansion; equipment; and other corporate purposes. **Underwriter**—None.

● Century Controls Corp., Farmingdale, N. Y.
Aug. 27 filed 120,000 shares of common stock (par $1). **Price**—At market (over-the-counter price in New York). **Proceeds**—To selling stockholder (Ray, Daisley & Co., Inc.) **Underwriter**—None.

★ Century Food Markets Co., Youngstown, Ohio (9/24-28)
Aug. 30 filed $2,000,000 of convertible subordinated debentures and 40,000 shares of common stock (par $1) to be offered in units of $50 of debentures and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loan, for expansion and working capital. **Underwriter**—H. M. Byllesby & Co., Inc., Chicago, Ill.

★ Chemical Process Co.
Aug. 17 (letter of notification) 15,000 shares of common stock (par $1). **Price**—At market (estimated at $6.625 per share). **Proceeds**—To go to Alexis E. Post, San Francisco, Calif. **Underwriter** — Stone & Youngberg, San Francisco, Calif.

Christian Fidelity Life Insurance Co.
July 12 filed 20,000 shares of common stock (par $10) to be offered first and for period of 30 days to stockholders. **Price**—$26 per share. **Proceeds**—For capital and surplus, including $200,000 to be invested in securities common to the life insurance industry. **Office**—Waxahachie, Tex. **Underwriter**—None, sales to be made through Albert Carroll Bates, President of the company.

C. I. T. Financial Corp.
May 17 filed $75,000,000 of debentures due Aug. 1, 1971. **Price**—To be supplied by amendment. **Proceeds**—Primarily for furnishing working funds to company's subsidiaries. **Underwriters**—Dillon, Read & Co. Inc., Kuhn, Loeb & Co. and Lehman Brothers, all of New York. **Offering**—Temporarily postponed.

★ Citizens Credit Corp., Chevy Chase, Md. (9/12)
Aug. 27 (letter of notification) 15,500 shares of class A common stock (par $12.50), to be offered for subscription by stockholders. **Price**—$17 per share. **Proceeds**—For working capital, etc. **Underwriter**—The Matthew Corp., Washington, D. C.

Claussen Bakeries, Inc., Augusta, Ga.
Aug. 13 filed $250,000 of 6% debentures due 1966, and 166,000 shares of common stock (par $1), of which the debentures and 16,000 shares of stock are to be offered publicly and the remaining 150,000 shares of stock are to be offered for subscription by class A and class B common stockholders at the rate of two-thirds of a share of new common stock for each class A and/or class B stock held. **Price** — Of debentures, 100% of principal amount; and of stock to stockholders, $5.50 per share; and to public, $6.50 per share. **Proceeds**—Together with funds from private placement of preferred stock by H. H. Claussen Sons, Inc., a subsidiary, to retire debentures and subsidiary's preferred stock; for expansion and other corporate purposes. **Underwriter**—Johnson, Lane, Space & Co., Inc., Savannah, Ga.

Colonial Ice Co.
Aug. 6 (letter of notification) 15,000 shares of common stock (no par) to be offered to common stockholders. **Price**—$20 per share. **Proceeds**—For acquisition of 5% negotiable notes of Stonhard Co., Inc. **Office**—Greensboro, N. C. **Underwriter**—None.

● Colonial Utilities Corp.
June 4 (letter of notification) $109,245.50 principal amount of 6% convertible subordinate debentures, due June 1, 1966 being offered for subscription by holders of common stock at the rate of $1.30 for each share held as of Aug. 24 (with an oversubscription privilege); rights to expire on Sept. 14. **Price**—At 100% of principal amount. **Proceeds**—For working capital, construction, purchase of Dover plant, etc. **Office**—90 Broad St., New York, N. Y. **Underwriter**—None.

Colorado Springs Aquatic Center, Inc.
Aug. 23 filed 500,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For swimming pool and related activities, bowling alley, site preparation including parking, and land cost ($95,000). **Underwriters**—Arthur L. Weir & Co., Colorado Springs, Colo.; and Copley & Co.

● Columbia Baking Co., Atlanta, Ga.
Aug. 17 filed 26,768 voting trust certificates, each representing the beneficial interest in one share of common stock (no par), to be offered for subscription by holders of outstanding common stock and participating preferred stock of record Sept. 3, 1956 on the basis of one voting trust certificate for each eight shares of either class of such stock then held (with an oversubscription privilege); subscription warrants to be good for a period of three weeks. **Price**—$25 per share. **Proceeds**—To reduce bank loans. **Underwriters** — The Robinson-Humphrey Co., Inc. and J. H. Hilsman & Co., Inc., both of Atlanta, Ga.

Combined Industries, Inc.
Aug. 6 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To pay accounts payable, for equipment and inventory purchases and for other general corporate purposes. **Business**—Wrought iron furniture, etc. **Office**—33-01 Far Rockaway Boulevard, Edgemere 91, N. Y. **Underwriter**—Harold D. Levine, 82 Beaver Street, New York.

Commercial Credit Co.
July 31 filed $50,000,000 of notes due Sept. 1, 1976. **Price**—To be supplied by amendment. **Proceeds**—To repay short-term loans and for working capital. **Underwriters**—The First Boston Corp. and Kidder, Peabody & Co., both of New York (latter handling books). **Offering**—Indefinitely postponed.

Commercial Life Insurance Co. of Missouri
June 21 (letter of notification) 50,000 shares of common stock being offered initially to stockholders (par $2). **Price**—$5.50 per share. **Proceeds**—To be added to general funds and for expansion of business. **Office**—5579 Pershing Ave., St. Louis, Mo. **Underwriter**—Edward D. Jones & Co., St. Louis, Mo.

Commonwealth, Inc., Portland, Ore.
March 23 (letter of notification) 5,912 shares of 6% cumulative preferred stock being offered for subscription by stockholders of record April 16, 1956 on a pro rata basis; rights to expire on July 2, 1956. **Price**—At par ($50 per share). **Proceeds** — For working capital. **Office**—Equitable Bldg., 421 S. W. 6th Ave., Portland 4, Ore. **Underwriter**—None.

Consolidated Oil Management
Aug. 16 (letter of notification) $250,000 of 10-year 5½% collateral trust bonds due Sept. 9, 1966. **Office**—7352 Central Ave., St. Petersburg, Fla. **Predecessor**—Lynch Oil Co. **Underwriter**—Security & Bond Co., Lexington, Kentucky.

Continental Equity Securities Corp.
March 28 filed 40,000 shares of class A common stock (par $5) and 80,000 shares of class B common stock (par 50 cents). **Price**—Of class A stock, $12.50 per share, and of class B stock, 50 cents per share. **Proceeds**—To in-

Continued on page 30

NEW ISSUE CALENDAR

September 7 (Friday)

Central Mutual Telephone Co., Inc. — Common
(Offering to stockholders—to be underwritten by Folger, Nolan, Fleming-W. B. Hibbs & Co., Inc.) $252,300

Johnson-Carper Furniture Co., Inc. — Common
(Mason-Hagan, Inc. and Strader, Taylor & Co., Inc.) $270,000

September 10 (Monday)

Fortune Petroleum Corp. — Common
(Willis E. Burnside & Co., Inc.) $300,000

Gulf States Utilities Co. — Bonds
(Bids noon EDT) $15,000,000

Gulf States Utilities Co. — Common
(Bids 12:30 p.m. EDT) 100,000 shares

Hawaiian Electric Co., Ltd. — Preferred
(Dillon, Read & Co. Inc. and Dean Witter & Co.) $5,000,000

Minerals, Inc. — Common
(Gearhart & Otis, Inc.) $3,750,000

North American Aviation, Inc. — Common
(Offering to stockholders—to be underwritten by Morgan Stanley & Co.) about $40,000,000

Republic Cement Corp. — Common
(Vickers Brothers) $9,650,000

September 11 (Tuesday)

Blackstone Valley Gas & Electric Co. — Preferred
(Bids 11 a.m. EDT) $2,500,000

General Telephone Co. of California — Bonds
(Bids 11 a.m. EDT) $20,000,000

Southern California Edison Co. — Common
(The First Boston Corp. and Dean Witter & Co.) 500,000 shares

September 12 (Wednesday)

Aluminum Co. of America — Common
(The First Boston Corp.) 150,000 shares

Bangor Hydro-Electric Co. — Common
(Offering to stockholders—underwritten by Smith, Barney & Co.) 52,796 shares

Citizens Credit Corp. — Class A Common
(The Matthew Corp.) $263,500

Metal Hydrides, Inc. — Common
(Offering to stockholders—underwritten by White, Weld & Co.) 85,266 shares

Northern States Power Co. — Bonds
(Bids 10 a.m. CDT) $15,000,000

Polymer Corp. — Class A Common
(A. G. Edwards & Sons) $299,425

Scripto, Inc. — Class A Common
(Johnson, Lane, Space & Co., Inc.) $2,240,000

September 13 (Thursday)

Kay Jewelry Stores, Inc. — Common
(Lazard Freres & Co.) 150,000 shares

Lynch Carrier Systems, Inc. — Debentures
(P. W. Brooks & Co., Inc.) $225,000

Lynch Carrier Systems, Inc. — Common
(P. W. Brooks & Co., Inc.) 52,500 shares

Poor & Co. — Common
(Offering to stockholders—to be underwritten by Bache & Co.) 213,175 shares

Procter & Gamble Co. — Debentures
(Goldman, Sachs & Co.) $70,000,000

September 14 (Friday)

National Sugar Refining Co. — Common
(Offering to stockholders—to be underwritten by Morgan Stanley & Co.) 94,803 shares

September 17 (Monday)

Bahamas Helicopters, Ltd. — Common
(Blair & Co. Incorporated) 300,000 shares

National Musitine Corp. — Common
(M. J. Reiter Co.; Shelley, Roberts & Co.; and General Investing Corp.) $294,750

Nortex Oil & Gas Corp. — Preferred
(J. R. Williston & Co.) 100,000 shares

September 18 (Tuesday)

Acme Steel Co. — Common
(Blyth & Co., Inc. and Merrill Lynch, Pierce, Fenner & Beane) 400,000 shares

Intermountain Gas Co. — Notes & Common
(White, Weld & Co.) about $2,500,000

Marine Petroleum Trust — Units of Interest
(Dillon, Read & Co., Inc.) 500,000 units

Southern Nevada Power Co. — Bonds
(Bids noon EDT) $4,000,000

Tennessee Gas Transmission Co. — Bonds
(Stone & Webster Securities Corp.; White, Weld & Co.; and Halsey, Stuart & Co. Inc.) $50,000,000

Tennessee Gas Transmission Co. — Preferred
(Stone & Webster Securities Corp. and White, Weld & Co.) $20,000,000

United Aircraft Corp. — Preference
(Offering to stockholders—to be underwritten by Harriman Ripley & Co. Inc.) $33,091,500

September 19 (Wednesday)

Southern Pacific RR. Co. — Bonds
(Bids noon EDT) $35,000,000

Walt Disney Productions — Debentures
(Kidder, Peabody & Co.) $7,500,000

Wilson & Co., Inc. — Debentures
(Smith, Barney & Co.; Glore, Forgan & Co.; and Hallgarten & Co.) $20,000,000

September 20 (Thursday)

Allegheny Ludlum Steel Corp. — Debentures
(Offering to common stockholders—to be underwritten by The First Boston Corp. and Smith, Barney & Co.) $16,377,000

Anheuser-Busch, Inc. — Common
(Lee Higginson Corp.) 328,723 shares

United Cuban Oil, Inc. — Common
(S. D. Fuller & Co.) $2,500,000

September 24 (Monday)

Centers Corp. — Debentures & Common
(Blair & Co. Incorporated) $8,000,000

Century Food Markets Co. — Debentures & Com.
(H. M. Byllesby & Co., Inc.) $2,000,000 of debentures and 40,000 shares of stock

Devall Land & Marine Construction Co., Inc. — Com.
(Vickers Brothers) $300,000

Kusan, Inc. — Common
(Clark, Landstreet & Kirkpatrick, Inc.) $583,120

September 25 (Tuesday)

Allentown Portland Cement Co. — Class A Common
(Kuhn, Loeb & Co.) 200,000 shares

Virginia Electric & Power Co. — Bonds
(Bids 11 a.m. EDT) $20,000,000

September 26 (Wednesday)

Long Island Lighting Co. — Preferred
(Offering to common stockholders—to be underwritten by Blyth & Co., Inc.; The First Boston Corp. and W. C. Langley & Co.) $18,000,000

Peabody Coal Co. — Debentures
(The First Boston Corp.) $35,000,000

October 1 (Monday)

American Telephone & Telegraph Co. — Common
(Offering to stockholders—no underwriting) about $580,000,000

October 3 (Wednesday)

Columbia Gas System, Inc. — Debentures
(Bids 11 a.m. EDT) $25,000,000

October 4 (Thursday)

Virginian Ry. — Equip. Trust Ctfs.
(Bids to be invited) $3,600,000

October 5 (Friday)

Four Wheel Drive Auto Co. — Debentures
(A. C. Allyn & Co., Inc.) about $1,000,000

October 8 (Monday)

Southern Bell Telephone & Telegraph Co. — Debentures
(Bids to be invited) $60,000,000

October 9 (Tuesday)

California Electric Power Co. — Bonds
(Bids to be invited) $8,000,000

October 16 (Tuesday)

Public Service Co. of Indiana, Inc. — Bonds
(Bids to be invited) $30,000,000

October 23 (Tuesday)

Central Illinois Public Service Co. — Common
(Bids to be invited) 170,000 shares

Consolidated Edison Co. of New York, Inc. — Bonds
(Bids to be invited) $40,000,000

October 30 (Tuesday)

Ohio Power Co. — Bonds
(Bids 11 a.m. EDT) $28,000,000

Ohio Power Co. — Preferred
(Bids 11 a.m. EDT) $6,000,000

November 14 (Wednesday)

Public Service Electric & Gas Co. — Bonds
(Bids 11 a.m. EST) $50,000,000

November 27 (Tuesday)

Carolina Power & Light Co. — Bonds
(Bids to be invited) $15,000,000

Continued from page 29

crease capital and surplus. **Office**—Alexandria, La. **Underwriter**—None.

Contract Electronics Corp.
Aug. 14 (letter of notification) 600,000 shares of common stock. **Price**—At par (50 cents per share). **Proceeds**—For purchase of stock of affiliates and working capital. **Office**—9036 Culver Blvd., Culver City, Colo. **Underwriter**—L. A. Huey Co., Denver, Colo.

Crater Lake Mining & Milling Co., Inc.
March 8 (letter of notification) 575,000 shares of common stock. **Price**—50 cents per share. **Proceeds**—For mining expenses. **Office** — 1902 East San Rafael, Colorado Springs, Colo. **Underwriter** — Skyline Securities, Inc., Denver, Colo.

Crestmont Oil Co.
June 28 (letter of notification) 8,000 shares of common stock (par $1). **Price**—$6.25 per share. **Proceeds**—To selling stockholders. **Office** — 2201 West Burbank, Calif. **Underwriter**—Neary, Purcell & Co., Los Angeles, Calif.

★ Cut Bank Gas Co., Cut Bank, Mont.
Aug. 24 (letter of notification) $85,000 principal amount of 6% subordinate interim notes due Oct. 15, 1962 and 8,500 shares of common stock (par $10) to be offered in units of one $10 note and one share of common stock. **Price**—$20 per unit. **Proceeds** — For working capital; payment of contract and replacement of transmission lines. **Underwriter**—None.

Dalmid Oil & Uranium, Inc., Grand Junction, Colo.
April 16 (letter of notification) 2,700,000 shares of common stock (par one cent). **Price**—10 cents per share **Proceeds**—For mining expenses. **Office**—1730 North 7th Street, Grand Junction, Colo. **Underwriter**—Columbia Securities Co., Denver, Colo.

★ Danny's Do Nuts Investment Corp.
Aug. 17 (letter of notification) 12,500 shares of 8% cumulative preferred stock (par $9) and 12,500 shares of common stock (par $1) to be sold in units of one share of preferred and one share of common. **Price**—$10 per unit. **Proceeds**—For working capital. **Office**—10532 Stanford Ave., Garden Grove, Calif. **Underwriter**—None.

Detroit Edison Co.
July 24 filed $59,778,900 of 3¾% convertible debentures due Sept. 14, 1971, being offered for subscription by stockholders of record Aug. 17, 1956 at the rate of $100 of debentures for each 21 shares of stock held; rights to expire on Sept. 14. **Price**—At par (flat). **Proceeds**—To repay short term bank loans and for construction and other purposes. **Underwriter**—None.

Devall Land & Marine Construction Co., Inc. (9/24-28)
May 16 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For payments of notes, to purchase and equip three boats and working capital. **Office**—1111 No. First Ave., Lake Charles, La. **Underwriter**—Vickers Brothers, Houston, Tex.

★ Diversified Oil & Mining Corp., Denver, Colo.
Aug. 29 filed 2,500,000 shares of 6% convertible non-cumulative preferred stock, first series (par $1), and warrants to purchase 500,000 shares of common stock (par 10 cents) to be offered for subscription initially by common stockholders in units of 25 preferred shares and a warrant to purchase five common shares. **Price**—$25.50 per unit (each warrant will entitle the holder to purchase one common share at any time prior to Dec. 31, 1957 at $2 per share). **Proceeds**—To repay mortgages, to $1,312,500 of five-year 6% sinking fund debentures, and for further acquisitions and working capital. **Underwriter**—None.

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.

Douglas Corp., Fort Collins, Colo.
July 27 filed 4,000,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds** — For exploration, development and acquisition of properties and for working capital. **Underwriter**—Columbia Securities Co., Denver, Colo.

Dow Chemical Co., Midland, Mich.
Aug. 27 filed 150,000 shares of common stock (par $5) to be offered for subscription by employees of the company and certain subsidiaries and associated companies. **Price**—To be supplied by amendment. **Proceeds**—For expansion, etc. **Underwriter**—None.

★ Dryden Oil Corp.
Aug. 23 (letter of notification) 50,000 shares of common stock. **Price** — At par ($1 per share). **Proceeds** — For development of oil and gas. **Office** — Virginia and Truckee Bldg., Carson City, Nev. **Underwriter**—None.

Eastern-Northern Explorations, Ltd., Toronto, Canada
June 4 (regulation "D") 500,000 shares of common stock (par $1). **Price**—60 cents per share. **Proceeds**—For general corporate purposes. **Underwriter** — Foster-Mann, Inc., New York.

First National Mutual Fund, Inc.
June 27 filed 50,000 shares of common stock (par $1), of which 10,000 shares are to be offered for sale at $10 per share to not more than 25 people, whereupon the company will declare itself an open-end investment company and change the offering price of the remaining 40,000 shares to net asset value plus a distributing charge. **Investment Adviser**—First National Investment Corp., San Francisco, Calif. **Underwriter**—First National Securities Co., same city, of which Wiley S. Killingsworth is President.

Florida Sun Life Insurance Co.
March 16 filed 32,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—To expand company's business. **Office**—Fort Lauderdale, Fla. **Underwriter**—None. Offering will be made through James C. Dean President of company.

● Fortune Petroleum Corp. (9/10-14)
July 20 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For exploration and drilling costs. **Office**—4645 Van Nuys Blvd., Sherman Oaks, Calif. **Underwriter**—Willis E. Burnside & Co., Inc., New York.

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.

★ Genco Oil Co., Inc.
Aug. 24 (letter of notification) 55,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For oil development expenses. **Office** — 1907 Broadway Ave., Scottsbluff, Neb. **Underwriter** — Edward C. Colling, Scottsbluff, Neb.

General Credit, Inc., Washington, D. C.
Aug. 17 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working captal. **Underwriter** — None named. Offering to be made through selected dealers.

General Telephone Co. of California (9/11)
Aug. 13 filed $20,000,000 of first mortgage bonds, series J, due Sept. 1, 1986. **Proceeds**—To discharge bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. (jointly); White, Weld & Co. and Kidder, Peabody & Co. (jointly). **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on Sept. 11.

General Tire & Rubber Co., Akron, Ohio
July 27 filed 26,068 shares of $5 cumulative preference stock (par $100) to be offered in exchange for common stock and 6% promissory notes of Carlon Products Corp. The exchange offer will be subject to acceptance by owners of all of the outstanding $1,060,000 notes and by not less than 39,400 of the 68,837 shares of Carlon stock. **Underwriter**—None.

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. Statement effective March 11.

Gold Mountain Lodge, Inc., Durango, Colo.
Aug. 23 filed 5,000 shares of class A voting common stock (par $1), 295,000 shares of class B non-voting common stock (par $1), and $700,000 of 4% debentures due Dec. 31, 1975, to be offered for sale in the States of Texas and Colorado in units of 50 shares of class A stock, 2,950 shares of class B stock and one $7,000 debenture. **Price**—$10,000 per unit. **Proceeds**—For purchase of property, remodeling of present main building, for new construction and working capital. **Business**—Operates year-round resort hotel. **Underwriter**—None.

● Gold Seal Dairy Products Corp.
June 22 filed 200,000 shares of class A stock (par 10 cents). **Price**—$5 per share. **Proceeds**—For expansion and to repay outstanding obligations. **Office**—Remsen, N. Y. **Underwriter**—All States Securities Dealers, Inc., New York. **Offering**—Expected late in September.

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 Hope Investors, Inc.
Aug. 14 (letter of notification) 468,535 shares of common stock. **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—1519 N. 13th St., Hyde Park, Boise, Idaho. **Underwriter**—None.

★ Great Southern Investors Services, Inc.
July 27 (letter of notification) 197,300 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For working capital and to establish a marketing organization. **Office**—William-Oliver Bldg., Atlanta, Ga. **Underwriter**—None.

Growers Container Corp., Salinas, Calif.
May 28 filed 600,000 shares of common stock (par $1) to be offered primarily to individuals and firms who are engaged in or closely allied to the growing and shipping industry. **Price**—$3 per share. **Proceeds**—For working capital, capital expenditures and other corporate purposes. **Underwriter**—None.

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 States Utilities Co. (9/10)
Aug. 10 filed $15,000,000 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.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp. **Bids**—To be received up to noon (EDT) on Sept. 10 at The Hanover Bank, 70 Broadway, New York 15, N. Y.

Gulf States Utilities Co. (9/10)
Aug. 10 filed 100,000 shares of common stock (no par). **Proceeds**—To repay bank loans. **Underwriter** — To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane and Lehman Brothers (jointly); Carl M. Loeb, Rhoades & Co. **Bids**—To be received up to 12:30 p.m. (EDT) on Sept. 10 at The Hanover Bank, 70 Broadway, New York 15, N. Y.

Gunkelman (R. F.) & Sons, Fargo, N. D.
May 25 (letter of notification) 1,800 shares of 5% cumulative preferred stock (par $100). **Price**—$98 per share. **Proceeds** — For expenses incident to commercial grain business. **Underwriter**—W. R. Olson Co., Fargo, N. D.

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 Electric Co., Ltd. (9/10-14)
Aug. 20 filed 250,000 shares of cumulative preferred stock, series F (par $20). **Price**—To be supplied by amendment. **Proceeds** — For construction program and for retirement of bank loans. **Underwriters** — Dillon, Read & Co. Inc., New York, and Dean Witter & Co., San Francisco, Calif.

Hedges Diesel, Inc.
Aug. 22 (letter of notification) 10,000 shares of class A common stock (par $10) and 20,000 shares of class B common stock to be offered in units of one class A and two class B shares. **Price**—$30 per unit. **Proceeds**—For working capital. **Address** — Box 610, Marlton, N. J. **Underwriter**—None.

★ Heritage Fund, Inc., New York
Aug. 31 filed (by amendment) 200,000 additional shares of common stock. **Price**—At market. **Proceeds**—For investment. **Change in Name** — Formerly Spencer Grean Fund, Inc.

Hidden Dome Exploration Co., Inc.
May 15 (letter of notification) 3,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—For the development of oil and gas properties. **Office**—219 E. Fremont Ave., Las Vegas, Nev. **Underwriter**—National Securities Co., Las Vegas, Nev.

Hiskey Uranium Corp.
May 31 filed 500,000 shares of common stock (par 30 cents). **Price**—$1 per share. **Proceeds**—For drilling expenses, purchase of properties and working capital. **Offices**—Las Vegas, Nev., and Salt Lake City, Utah. **Underwriter**—Ackerson-Hackett Investment Co., Reno, Nev.

Holden Mining Co., Winterhaven, Calif.
April 13 (letter of notification) 250,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Address** — P. O. Box 308, Winterhaven, Calif. **Underwriter**—Arthur B. Hogan, Inc., Hollywood, Calif.

★ Hub Oil Co.
Aug. 24 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For finding and marketing oil and gas. **Office**—413 First National Bank Bldg., Denver, Colo. **Underwriter**—None.

Hydrometals, Inc., Chicago, Ill.
Aug. 10 filed 78,275 shares of capital stock (par $2.50) and rights to subscribe to an additional 391,375 shares (exercisable over a five-year period at $13 per share). Of the total, 77,500 shares, plus rights to purchase an additional 387,500 shares, are to be offered in exchange for the license rights and assets of Hayden Projects, Inc., and the remaining 775 shares, plus rights to buy an additional 3,875 shares, are to be issued to Cady, Roberts & Co., New York City, as a fee for its services with such transaction.

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.

● Illinois Bell Telephone Co.
Aug. 10 filed 580,531 shares of capital stock being offered for subscription by stockholders of record Aug. 31, 1956, on the basis of one new share for each eight shares held; rights to expire on Sept. 28, 1956. **Price**—At par ($100 per share). **Proceeds**—To repay advances from parent, American Telephone & Telegraph Co., which owns 4,612,578 shares (99.32%) of Illinois company's stock. **Underwriter**—None.

Industrial Minerals Development Corp.
March 7 (letter of notification) 1,000,000 shares of common stock. **Price**—Five cents per share. **Proceeds**—For development and working capital. **Office**—Moab, Utah. **Underwriter**—I. J. Schenin Co., New York.

Intermountain Gas Co. (9/18)
Aug. 24 filed $2,500,000 of subordinate interim notes due July 31, 1962, and 50,000 shares of common stock (par $1), to be offered publicly in units of $50 principal amount of notes and one share of common stock. **Price**—To be supplied by amendment. **Proceeds**—Together with funds from private placement of $5,000,000 of first mortgage bonds and sale to Idaho residents of 140,000 additional shares of common stock at $5 per share, to

be used to refund a $5,000,000 bank loan and pay for construction program to introduce natural gas in 23 Southern Idaho communities. **Underwriter** — White, Weld & Co., New York.

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 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.

International Shipbuilding Corp.
Aug. 9 (letter of notification) 100,000 shares of common stock (par 50 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Business**—Manufactures outboard cruisers. **Office**—471 N. E. 79th Street, Miami, Fla. **Underwriter**—Atwill & Co., Miami Beach, Fla.

Investment Corp. of Florida
Aug. 24 filed $515,000 of $60 cumulative preferred stock to be offered in units of $1,000 each and 5,150 shares of common stock to be offered to purchasers of preferred stock at 10 cents per share at rate of ten shares for each preferred share bought. **Proceeds**—For working capital. **Office**—Fort Lauderdale, Fla. **Underwriter**—None.

Investment Life & Trust Co., Mullins, S. C.
July 9 filed 1,800,000 shares of common stock (par $1), of which 1,200,000 shares are to be offered publicly and 600,000 shares on exercise of options. **Price**—$2 per share to public. **Proceeds**—To be added to general operating funds to enable the company to maintain proper insurance reserves required by law. **Underwriter**—None.

Israel-Mediterranean Petroleum, Inc. (Panama)
May 29 filed American voting trust certificates for 1,430,000 shares of common stock (par one cent), of which 1,000,000 certificates are to be offered for public sale, 180,000 shares and certificates therefor are subject to options and 250,000 shares and certificates therefor are to be offered for sale outside of the United States. **Price**—To be the market price on the American Stock Exchange. **Proceeds** — For carrying out the exploratory drilling and development of presently licensed acreage, operations and expenses of the company, and acquisition, exploration and development of additional acreage. **Underwriter**—H. Kook & Co., Inc., New York.

Isthmus Steamship & Salvage Co., Inc.
May 4 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For working capital and for purchase of a ship and equipment. **Office**—1214 Ainsley Bldg., Miami, Fla. **Underwriter**—Foster-Mann, Inc., New York, N. Y.

Joa Co.
July 27 (letter of notification) 110,000 shares of common stock (par 20 cents). **Price**—$2.50 per share. **Proceeds**—For sales promotions and operating capital. **Office**—411 No. Scenic Highway, Lake Wales, Fla. **Underwriter**—Anderson Cook Co., Inc., Palm Beach, Fla.

● **Johnson-Carper Furniture Co., Inc. (9/7)**
Aug. 22 (letter of notification) 27,000 shares of common stock (par $5) to be offered for subscription by stockholders. **Price**—$10 per share. **Proceeds**—to repay bank loans and for working capital. **Office**—Riley Road, N. E., Roanoke, Va. **Underwriters**—Mason-Hagan, Inc., Roanoke, Va.; and Strader, Taylor & Co., Inc., Lynchburg, Va.

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.

Kay Jewelry Stores, Inc. (9/13)
Aug. 24 filed 150,000 shares of capital stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Business** — Retail credit jewelry chain. **Underwriter**—Lazard Freres & Co., New York.

★ **Kentucky Harness Racing Association, Inc.**
Aug. 17 (letter of notification) $37,000 principal amount of 6% 10-year cumulative income debentures and 3,700 shares of common stock (par one cent) to be offered in units of one $1,000 debenture and 100 shares of common. **Price**—$1,001 per unit. **Proceeds**—For construction costs. **Address**—Versailles, Ky. **Underwriter**—None.

Kerr Income Fund, Inc., Los Angeles, Calif.
July 30 filed 100,000 shares of capital stock (par $1), of which 9,300 shares will be initially sold at $10.98 per share. Additional shares will be offered at a price equal to the net asset value of the Fund, plus a sales load of 8½% of such price. **Proceeds**—For investment. **Investment Manager** — California Fund Investment Co., of which John Kerr is also President.

Knox Corp., Thomson, Ga.
June 20 filed 150,000 shares of class A common stock (par $1). **Price**—To be supplied by amendment (expected at $4 per share). **Proceeds**—To pay loans from banks and factors; and for working capital and other corporate purposes. **Business**—Prefabricated homes, house trailers and lumber. **Underwriter**—Ira Haupt & Co., New York.

Kropp Forge Co.
June 4 (letter of notification) 18,804 shares of common stock (par 33⅓ cents). **Price**—At market (estimated at $3.50 per share). **Proceeds** — To selling stockholder. **Underwriter**—Sincere & Co., Chicago, Ill.

Kusan, Inc., Nashville, Tenn. (9/24-28)
Aug. 29 filed 116,624 shares of common stock (par $1). **Price**—To be supplied by amendment (expected to be $5 per share). **Proceeds**—To reduce debt, for new tooling and equipment and working capital. **Business** — Manufacturer of toys, electric trains and various custom plastic items. **Underwriter**—Clark, Landstreet & Kirkpatrick, Inc., Nashville, Tenn.

Laundrimation, Inc.
Aug. 10 (letter of notification) 1,540,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For working capital. **Business**—Sales and distribution of washing machines and other laundry equipment. **Office**—Morris Plains, N. J. **Underwriter**—None.

Leadville Lead & Uranium Corp.
July 17 (letter of notification) 150,000 shares of common stock (par $1) to be offered to stockholders; the balance to go to certain persons in certain jurisdictions to be decided upon. **Price**—$2 per share. **Proceeds**—For exploration and development and to purchase additional stock of its subsidiary, leadville Explorations, Inc. **Office**—308 Colorado Bldg., Denver, Colo. **Underwriter**—None.

Lewisohn Copper Corp.
March 30 filed 100,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—For exploration and evaluation of leasehold properties, improvements, equipment and for general corporate purposes. **Office**—Tucson, Ariz. **Underwriter**—George F. Breen, New York. **Offering**—Postponed.

★ **Lincoln Associates, New York**
Aug. 31 filed $2,100,000 of 4% notes due Nov. 1, 1971 and $1,400,000 of limited partnership interests, to be offered in units of a $60,000 note and a capital contribution of $40,000. **Price**—$100,000 per unit. **Proceeds**—For purchase price of hotel; and for improvements, etc. **Underwriter**—None.

Lithium Developments, Inc., Cleveland, Ohio
June 21 filed 600,000 shares of common stock (par 10 cents), of which 600,000 shares are to be sold for account of the company and 90,000 shares for selling stockholders. **Price**—$1 per share, by amendment. **Proceeds**—For exploration and development and other general corporate purposes. **Underwriter**—George A. Searight, New York City.

● **Long Island Lighting Co. (9/26)**
April 5 filed 120,000 shares of cumulative preferred stock, series G (par $100) (on Aug. 29 company announced it now plans issuance of 180,000 shares of cumulative convertible preferred stock, to be first offered for subscription by common stockholders of record Sept. 25, 1956, at rate of one preferred share for each 28 shares of common stock held); rights to expire on Oct. 10. **Price** — At par ($100 per share). **Proceeds**—To repay bank loans. **Underwriters**—Blyth & Co., Inc., The First Boston Corp. and W. C. Langley & Co., all of New York.

Los Angeles Airways, Inc., Los Angeles, Calif.
April 23 (letter of notification) 645 shares of common stock (par $10). **Price** — $54 per share. **Proceeds** — To Clarence M. Belinn, the selling stockholder. **Office**—5901 West Imperial Highway, Los Angeles 49, Calif. **Underwriter**—Dean Witter & Co., Los Angeles, Calif.

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.

Lumberman's Investment & Mortgage Co.
May 2 filed 50,000 shares of common stock (par $10). **Price**—$12 per share. **Proceeds**—For working capital and general corporate purposes. **Office** — Denver, Colo. **Underwriter**—None.

Lynch Carrier Systems, Inc. (9/13-14)
Aug. 20 filed $225,000 of 6% sinking fund debentures, series B (with capital stock purchase warrants attached), due Sept. 1, 1971, and 52,500 shares of capital stock (par $1), of which 12,500 shares are to be sold for the account of the company and 40,000 shares for the account of Frank W. Lynch, former President. (Each $500 of debentures will have attached thereto warrants to purchase 40 shares of stock initially at $7 per share). **Price**—To be supplied by amendment. **Proceeds**—For research and development expenses and working capital. **Office**—San Francisco, Calif. **Underwriter**—P. W. Brooks & Co., Inc., New York.

Macimiento Uranium Mining Corp.
July 31 (letter of notification) 1,000,000 shares of common stock (par one cent). **Price**—20 cents per share. **Proceeds**—For current liabilities, exploration, administrative expenses and working capital. **Office** — Kimo Bldg., Albuquerque, N. M. **Underwriter**—Carroll & Co., Denver, Colo.

Macinar, Inc.
July 23 (letter of notification) 400,000 shares of common stock (par 50 cents). **Price**—75 cents per share. **Proceeds**—For general corporate purposes. **Business** — Manufactures steel and aluminum specialty products. **Underwriter**—C. J. Montague, Inc., 15 William Street, New York 17, N. Y.

Mammoth Milling & Uranium Co., Inc.
May 11 (letter of notification) 3,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—205 Carlson Bldg., Pocatello, Idaho. **Underwriter**—Columbia Securities Co., Inc. of California, Beverly Hills, Calif.

★ **Manufacturers' Bank of Edgewater (N. J.)**
Aug. 24 (letter of notification) 1,250 shares of common stock (par $10). **Price** — $80 per share. **Proceeds**—To Capital Funding Corp., the selling stockholder. **Underwriter**—Berry & Co., Newark and Plainfield, N. J.

★ **Marine Petroleum Trust, Dallas, Texas (9/18)**
Aug. 30 filed 450,000 of units of interest in the Trust and warrants to purchase 50,000 units of interest in the Trust. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—Dillon, Read & Co. Inc., New York.

Mascot Mines, Inc.
July 9 (letter of notification) 280,000 shares of common stock (par 17½ cents). **Price**—25 cents per share. **Proceeds**—For payment on properties; repayment of advances; exploration and development and working capital. **Office**—508 Peyton Bldg., Spokane, Wash. **Underwriter**—Standard Securities Corp., Spokane, Wash.

★ **Mecca Uranium & Oil Corp.**
July 30 (letter of notification) 250,000 shares of nonassessable common stock (par one mill). **Price**—$1 per share. **Proceeds** — For accruals, tunnel equipment and drilling, etc. **Underwriter**—None.

Metal Hydrides, Inc., Beverly, Mass. (9/12)
Aug. 23 filed 85,266 shares of common stock (par $5) to be offered for subscription by common stockholders of record about Sept. 12 on the basis of one new share for each three shares held; rights to expire on or about Sept. 25. **Price**—To be supplied by amendment. **Proceeds**—For construction of plant and working capital. **Business**—Hydrides of calcium, lithium, potassium and sodium, etc. **Underwriter**—White, Weld & Co., New York.

Michigan Wisconsin Pipe Line Co.
July 2 filed $25,000,000 of first mortgage pipe line bonds due 1976. **Proceeds**—To pay off short term bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc. **Bids**—Three bids were received on Aug. 1, all for 4¾s, but were turned down. No new date for bids has been set.

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.

Minerals, Inc., New York (9/10)
June 22 filed 2,500,000 shares of common stock (par one cent). **Price**—$1.50 per share. **Proceeds**—To acquire for $2,400,000 the Chavin lead-zinc-copper-silver mine located in South Central Peru, and for general corporate purposes. **Underwriter** — Gearhart & Otis, Inc., New York.

Mission Appliance Corp. of Mississippi
April 23 (letter of notification) 7,475 shares of preferred stock (par $20) and 29,900 shares of common stock (par $5) to be offered in units of one preferred and four common shares. **Price**—$40 per unit. **Proceeds** — For purchase of machinery and equipment. **Office**—New Albany, Miss. **Underwriter**—Lewis & Co., Jackson, Miss.

★ **Mitee Bighorn Co.**
Aug. 24 (letter of notification) 3,000 shares of class B common stock (no par). **Price**—$25 per share. **Proceeds**—For mining expenses. **Office** — 550 Cookman Ave., Asbury Park, N. J. **Underwriter**—None.

Modern Pioneers' Life Insurance Co.
May 24 (letter of notification) $300,000 of trust fund certificates. **Price**—At par ($2 per unit). **Proceeds** — To provide capital and surplus funds for the activation of this insurance company. **Underwriter**—Arizona Mutual Benefit Insurance Co., Phoenix, Ariz.

Mohawk Silica Co., Cincinnati, Ohio
March 23 (letter of notification) 3,000 shares of 8% cumulative convertible preferred stock (par $50) and 3,000 shares of common stock (no par) to be offered in units of one share of preferred and one share of common. **Price** — $60 per unit. **Proceeds** — For mining expenses and processing silica. **Office**—2508 Auburn Ave., Cincinnati, Ohio. **Underwriter**—None.

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.

National By-Products, Inc.
June 19 (letter of notification) 2,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—To pay Federal estate taxes. **Office**—800 Bankers Trust Bldg., Des Moines, Iowa. **Underwriter**—T. C. Henderson & Co., Inc., Des Moines, Iowa.

★ **National Exploration, Inc.**
Aug. 24 (letter of notification) 900 shares of class B stock and 1,800 shares of class C stock. **Price**—At par ($50 per share). **Proceeds**—For mining expenses. **Office**—940 South Melrose St., Casper, Wyo. **Underwriter**—None.

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.

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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 Musitime Corp. (9/17)
Aug. 7 (letter of notification) 393,000 shares of common stock (par one cent). **Price**—75 cents per share. **Proceeds**—To repay loan and for general corporate purposes. **Office**—730 Fifth Avenue, New York. **Business**—Background music business. **Underwriters**—M. J. Reiter Co., New York; Shelley Roberts & Co., Denver, Colo.; and General Investing Corp., New York.

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.

National Pool Equipment Co., Birmingham, Ala.
Aug. 23 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For machinery and equipment for a new plant which is being erected for the company in Florence, Ala.; to retire bank loans and for working capital. **Business**—Manufactures and sells component parts of swimming pools and related equipment. **Underwriters**—Mid-South Securities Co. and Clark, Landstreet & Kirkpatrick, Inc., both of Nashville, Tenn.

National Sugar Refining Co. (9/14)
Aug. 24 filed 94,803 shares of capital stock (no par) to be offered for subscription by stockholders of record Sept. 13 at the rate of one new share for each six shares held; rights to expire on Oct. 1. **Price**—To be supplied by amendment. **Proceeds** — For working capital and other corporate purposes. **Underwriter**—Morgan Stanley & Co., New York.

New England Telephone & Telegraph Co.
Aug. 3 filed 613,010 shares of capital stock being offered for subscription by stockholders at the rate of one new share for each five shares held as of Aug. 29; with rights to expire on Sept. 28. American Telephone & Telegraph Co. owns 69.26% (2,122,842 shares) of outstanding stock. **Price**—At par ($100 per share). **Proceeds**—To repay temporary borrowings. **Underwriter**—None.

Niagara Uranium Corp., Salt Lake City, Utah
April 3 (letter of notification) 2,400,000 shares of common stock (par 3⅓ cents). **Price**—10 cents per share. **Proceeds** — For mining expenses. **Office** — 345 South State St., Salt Lake City, Utah. **Underwriter**—Birkenmayer & Co., Denver, Colo.

Nortex Oil & Gas Corp. (9/17-21)
Aug. 24 filed 100,000 shares of $1.20 cumulative convertible preferred stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To pay note due Feb. 1, 1957; for drilling and development costs; and working capital. **Office**—Dallas, Texas. **Underwriter**—J. R. Williston & Co., New York.

North American Aviation, Inc. (9/10)
Aug. 6 filed 1,145,011 shares of capital stock (par $1) to be offered for subscription by stockholders of record Sept. 7, 1956 at the rate of one new share for each six shares held; rights to expire on Sept. 24. **Price**—To be supplied by amendment. **Proceeds**—For capital expenditures. **Underwriter**—Morgan Stanley & Co., New York.

North American Finance Co., Phoenix, Ariz.
July 9 filed 500,000 shares of class B non-voting common stock (par $1). **Price**—$3 per share. **Proceeds**—To expand business operations. **Underwriter**—None, sales are to be made by Eugene M. Rosenson, President, of Pheonix, and Marcus T. Baumann, Vice-President and Treasurer, of Tucson, Ariz.

North Carolina Telephone Co.
July 24 filed 828,572 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of two shares for each share held; rights to expire 15 days following effective date of registration. **Price** — To be supplied by amendment. **Proceeds** — To acquire physical properties and franchises of the Norwood and Marshville (N. C.) exchanges of the United Telephone Co. of the Carolinas, Inc.; to reduce short term indebtedness; for construction and modernization program; and for working capital. **Underwriters**—R. S. Dickson & Co., Inc., Charlotte, N. C. and McCarley & Co., Inc., Ashville, N. C. **Offering**—Expected momentarily.

Northern States Power Co. (Minn.) (9/12)
July 26 filed $15,000,000 of first mortgage bonds due 1986. **Proceeds**—For repayment of bank loans and for additions and improvements to property. **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. **Bids**—Expected to be received up to 10 a.m. (CDT) on Sept. 12 at Room 1100, 231 So. La Salle St., Chicago 4, Ill.

NYPA Gas Corp., Buffalo, N. Y.
July 11 (letter of notification) 5,586 shares of common stock (no par) to be offered to present stockhol- **Price**—$8 per share. **Proceeds**—For oil and gas drilling expenses. **Office**—606 Root Bldg., 84 W. Chippewa St., Buffalo 2, N. Y. **Underwriter**—None.

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.

Ocean Drilling & Exploration Co.
Aug. 8 filed 208,395 shares of common stock (par $1) being offered for subscription by common stockholders at the rate of one new share for each six shares held as of Aug. 28, 1956; rights to expire on Sept. 11. **Price**—$20 per share. Murphy Corp., owner of 658,328 shares, will subscribe for 109,722 shares. **Proceeds**—For general corporate purposes. **Office**—New Orleans, La. **Underwriters**—Morgan Stanley & Co., New York, and Reinholdt & Gardner, St. Louis, Mo. for remaining 98,673 shares.

★ **One In All Corp.**
Aug. 7 (letter of notification) 13,150 shares of class B non-voting dividend participating common stock. **Price**—$3 per share. **Proceeds**—For raw material, equipment, plant construction, etc. **Office** — 1920 Cheshire Bridge Road, N. E. Atlanta, Ga. **Underwriter**—None.

★ **Oxford Loan Co., Philadelphia, Pa.**
Sept. 4 (letter of notification) $250,000 of 6% 10-year renewable debentures due Sept. 20, 1966. **Proceeds**—To increase loan volume. **Office**—2233 North Broad St., Philadelphia, Pa. **Underwriter**—Walnut Securities Corp., Philadelphia, Pa.

Pacific Finance Corp. (Calif.)
April 10 filed $25,000,000 of debentures due 1971. **Price**—To be supplied by amendment. **Proceeds**—For reduction of short-term bank loans. **Underwriters**—Blyth & Co., Inc., and Hornblower & Weeks. **Offering**—Indefinitely postponed.

★ **Pacific Power & Light Co.**
Aug. 24 (letter of notification) an undetermined number of shares of common stock (par $6.50) to be offered to employees. **Price**—To be supplied by amendment. **Proceeds** — For construction, improvement or extension of company's facilities. **Office**—920 S. W. Sixth Ave., Portland, Ore. **Underwriter**—None.

● **Pacific Telephone & Telegraph Co.**
July 27 filed 1,562,267 shares of common stock being offered for subscription by common and preferred stockholders of record Aug. 29, 1956 *in the ratio of one share* for each six shares (common and/or preferred stock) held; rights to expire on Sept. 28. American Telephone & Telegraph Co., the parent, owns 90.70% of the outstanding common stock and 78.17% of the preferred stock, and intends to purchase 1,399,824 shares of the new stock which represents its pro rata portion of the offering. **Price**—At par ($100 per share). **Proceeds**—To repay temporary borrowings and for new construction. **Underwriter**—None.

Pan-Israel Oil Co., Inc. (Panama)
May 29 filed American voting trust certificates for 1,430,000 shares of common stock (par one cent), of which 1,000,000 certificates are to be offered for public sale, 180,000 shares and certificates therefor are subject to options and 25,000 shares and certificates therefor are to be offered for sale outside of the United States. **Price**—To be the market price on the American Stock Exchange. **Proceeds**—For exploration, drilling and development of oil and gas acreage in Israel. **Underwriter**—H. Kook & Co., Inc., New York.

Pari-Mutuel Equipment Corp.
Aug. 24 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For construction of 250 race ticket machines; for purchase of 40 machines for issuance of semi-blank race tickets; and for working capital and general corporate purposes. **Office**—527 Madison Avenue, New York 17, N. Y. **Underwriter**—Wistor R. Smith & Co., 40 East 54th Street, New York 22, N. Y.

★ **Peabody Coal Co. (9/26)**
Sept. 4 filed $35,000,000 of sinking fund debentures due 1976. **Price**—To be supplied by amendment. **Proceeds**—For retirement of certain outstanding funded debt (approximately $28,000,000) and for general corporate purposes. **Underwriter**—The First Boston Corp., New York.

Perfect-Line Manufacturing Corp.
Aug. 6 (letter of notification) 80,000 shares of common stock (par 10 cents). **Price**—$2.25 per share. **Proceeds**—For working capital. **Office** — Hicksville, L. I., N. Y. **Underwriter**—P. J. Gruber & Co., Inc., New York.

★ **Pioneer Finance Co.**
Aug. 9 (letter of notification) 75,000 shares of common stock (par $1) to be offered to stockholders on a basis of one share for each 6⅞ shares held. **Price**—$3.25 per share. **Proceeds** — For working capital. **Office** — 1400 National Bank Bldg., Detroit 26, Mich. **Underwriter**—None.

★ **Policy Advancing Corp., Binghamton, N. Y.**
Aug. 31 (letter of notification) $240,000 of 6% subordinated convertible debentures due 1966 to be offered for subscription by common stockholders at rate of $10 of debentures for each share held (with an oversubscription privilege). **Price**—At par. **Proceeds**—To retire outstanding $16,700 6% debentures due 1960 and for working capital. **Office**—27 Chenango St., Binghamton, N. Y. **Underwriter**—None.

● **Polymer Corp. (9/12-13)**
Aug. 24 (letter of notification) 41,300 shares of class A common stock (par $1). **Price**—$7.25 per share. **Proceeds**—To reduce bank loans, purchase of machinery and working capital. **Office**—2120 Fairmont Avenue, Reading, Pa. **Underwriter**—A. G. Edwards & Sons, St. Louis, Mo., and New York, N. Y.

● **Poor & Co., Chicago, Ill. (9/13)**
Aug. 23 filed 213,175 shares of common stock (par $10) to be offered for subscription by class A and common stockholders on the basis of two shares of new stock for each five shares of class A or common stock held Sept. 12; rights to expire on Sept. 26. **Price**—To be supplied by amendment. **Proceeds**—To retire all outstanding class A shares and about $1,500,000 outstanding debentures; also for working capital. **Business**—Supplies for maintenance-of-way and mechanical fields; also equipment for the highway construction industry and for the aggregate processing and mining industries. **Underwriter**—Bache & Co., New York.

Prestole Corp.
July 3 (letter of notification) $300,000 of 6% convertible sinking fund debentures due July 1, 1971 to be issued in denominations of $20 or any multiple thereof. **Price**—100% and accrued interest. **Proceeds**—To pay short term note and to buy equipment. **Office**—1345 Miami St., Toledo, Ohio. **Underwriter**—Baker, Simonds & Co., Detroit, Mich. **Offering**—Being postponed. Larger deal expected in near future.

Procter & Gamble Co. (9/13)
Aug. 22 filed $70,000,000 of debentures due Sept. 1, 1981. **Price**—To be supplied by amendment. **Proceeds**—For expansion program and for retirement of short-term borrowings. **Underwriter**—Goldman, Sachs & Co., New York.

Prudential Federal Uranium Corp.
March 21 (letter of notification) 6,000,000 shares of common stock (par two cents). **Price**—Five cents per share. **Proceeds**—For mining expenses. **Underwriter**—Skyline Securities, Inc., Denver 2, Colo.

Puerto Rico Jai Alai, Inc.
July 27 filed $1,100,000 of 12-year 6% first mortgage bonds due July 1, 1968, and 220,000 shares of common stock (par $1). **Price**—100% of principal amount for debentures and $1.75 per share for the stock. **Proceeds**—For construction of fronton and related activities. **Office**—San Juan, Porto Rico. **Underwriters**—Crerie & Co., Houston, Texas; and Dixon Bretscher Noonan, Inc., Springfield, Ill.

Pyramid Development Corp., Washington, D. C.
July 27 (letter of notification) 300,000 shares of common stock (par 10 cents), of which 25,000 shares are to be reserved for issuance upon exercise of options. **Price**—$1 per share. **Proceeds**—To purchase real property and mortgage notes. **Underwriter**—Coombs & Co. of Washington, D. C.

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.

★ **Radiore Mining & Exploration Co.**
Aug. 15 (letter of notification) 490,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Address**—Blackfoot, Idaho. **Underwriter**—None.

Radium Hill Uranium, Inc., Montrose, Colo.
June 14 (letter of notification) an undetermined number of shares of common stock which when sold at the market will bring in an aggregate amount of $42,500. **Proceeds**—For mining expenses. **Office**—Bryant Bldg., Montrose, Colo. **Underwriter**—Shaiman & Co., Denver, Colo.

Red Fish Boat Co., Clarksville, Texas
July 30 (letter of notification) 100,000 shares of 6% cumulative preferred stock (par $2) and 100,000 shares of common stock (par 10 cents) to be offered in units of one share of each class of stock. **Price**—$2.25 per unit. **Proceeds**—To retire debt and for working capital. **Underwriter**—Franklin Securities Co., Dallas, Texas.

Reinsurance Investment Corp., Birmingham, Ala.
May 25 filed 2,985,000 shares of common stock, of which 2,485,000 shares are to be offered to public and 500,000 shares are to be reserved on exercise of options to be granted to employees of company. **Price**—To public, $2 per share. **Proceeds**—The first $3,000,000 will be used to purchase or organize a legal reserve life insurance company to be known as the "Reinsurance Company of the South"; the remainder will be used for other corporate purposes. **Underwriter**—Luna, Matthews & Waites.

● **Republic Cement Corp., Prescott, Ariz. (9/10)**
April 20 filed 965,000 shares of capital stock. **Price**—$10 per share. **Proceeds**—For construction of plant, working capital and general corporate purposes. **Underwriter**—Vickers Brothers, New York.

● **Royal Register Co., Inc.**
Aug. 9 (letter of notification) 15,000 shares of class A common stock (par $1) being offered initially to class A stockholders at rate of 1½ shares for each share held; rights to expire on Sept. 15. **Price**—$15 per share. **Proceeds**—To reduce outstanding debt, buy equipment and for working capital. **Office**—Simon Street, Nashua, N. H. **Underwriter**—None.

Samson Uranium, Inc., Denver, Colo.
Aug. 21 (letter of notification) 25,000,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—For core drilling, including geological research and core assays; for mining shaft; to exercise purchase of option agreement on additional properties; for working capital and other corporate purposes. **Underwriter** — Indiana State Securities Corp. of Indianapolis, Ind., for offering to residents of Indiana.

Scripto, Inc., Atlanta, Ga. (9/12)
Aug. 15 filed 360,000 shares of class A common stock (par 50 cents), of which 40,000 shares are to be offered to of-

ficers and employees. **Price**—To public, $7 per share; to employees $6.67½ per share. **Proceeds** — To reduce bank loans, and for expansion and working capital. Aug. 15 filed 360,000 shares of class A common stock (par **Underwriter**—Johnson, Lane, Space & Co., Inc., Savannah, Ga.

Security Loan & Finance Co.
July 17 (letter of notification) 200,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For expansion program. **Office**—323 So. State St., Salt Lake City, Utah. **Underwriter**—Whitney & Co., also of Salt Lake City.

★ **Senco, Inc.**
Aug. 10 (letter of notification) 300 shares of common stock (no par). **Price**—$150 per share. **Proceeds**—For mining expenses. **Office**—709-711 Fidelity Bldg., Spokane, Wash. **Underwriter**—None.

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.

Skiatron Electronics & Television Corp.
March 16 filed 470,000 shares of common stock (par 10 cents). **Price** — At the market. **Proceeds** — To selling stockholders. **Underwriter**—None.

★ **Solar Corp.**
Aug. 14 (letter of notification) 100,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office** — Corbett Bldg., Portland, Ore. **Underwriter**—None.

Southern California Edison Co. (9/11)
Aug. 21 filed 500,000 shares of common stock (par $25). **Price** — To be supplied by amendment. **Proceeds** — To finance construction program. **Underwriters**—The First Boston Corp., New York and Dean Witter & Co., San Francisco, Calif.

Southern Nevada Power Co. (9/18)
Aug. 10 filed $4,000,000 of first mortgage bonds, series C, due 1986. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; William R. Staats & Co. and Hornblower & Weeks (jointly); White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Tentatively expected to be received up to noon (EDT) on Sept. 18 at First National City Bank of New York, 2 Wall St., New York, N. Y.

Southern Union Oils Ltd., Toronto, Canada
Aug. 24 filed 750,000 shares of capital stock (par $1). **Price**—64½ cents per share. **Proceeds**—To selling stockholders. **Underwriter**—None.

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.

Southwestern Resources, Inc., Santa Fe, N. M.
June 8 filed 1,000,000 shares of common stock (par 25 cents). **Price**—$5 per share. **Proceeds**—To exercise options, purchase additional properties and for general corporate purposes. **Underwriter**—Southwestern Securities Co., Dallas, Texas.

Statesman Insurance Co., Indianapolis, Ind.
July 3 filed 200,000 shares of common stock (par $2.50) to be offered to agents and employees of Automobile Underwriters, Inc., "Attorneys-in-Fact for the Subscribers at the State Automobile Insurance Association." **Price**—Proposed maximum is $7.50 per share. **Proceeds**—To obtain a certificate of authority from the Insurance Commissioner of the State of Indiana to begin business. **Underwriter**—None.

Sterling Precision Corp., New York
July 9 filed 379,974 shares of 5% cumulative convertible preferred stock, series C, to be offered for subscription by holders of outstanding common stock and series A and series B preferred stock in the ratio of one share of new preferred stock for each four shares of series A or series B preferred stock and one share of new preferred for each 10 shares of common stock held. **Price**—At par ($10 per share). **Proceeds**—To repay a $1,400,000 note held by Equity General Corp., a subsidiary of Equity Corp.; to liquidate existing bank loans and for general corporate purposes. **Underwriter**—None, but Equity General Corp. has agreed to purchase at par, plus accrued dividends, up to 290,000 shares of the new preferred stock not subscribed for by stockholders. Latter already owns 137,640 shares (3.23%) of Sterling common stock, plus $1,800,000 of its convertible debentures.

Stevens (J. P.) & Co., Inc., New York
June 28 filed $30,000,000 of debentures due July 1, 1981. **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term loans, to retire $950,000 of 4¾% first mortgage bonds and $368,679 of 6% preferred stock of subsidiaries. **Underwriter**—Goldman, Sachs & Co., New York. **Offering**—Indefinitely postponed.

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.

Sun Oil Co., Philadelphia, Pa.
April 18 filed 229,300 shares of common stock. **Price**—At the market. **Proceeds**—To selling stockholders. **Underwriter**—None.

Target Uranium Corp., Spokane, Wash.
March 1 (letter of notification) 1,000,000 shares of common stock (par five cents). **Price**—20 cents per share. **Proceeds**—For mining expenses. **Office** — 422 Paulsen Bldg., Spokane, Wash. **Underwriters**—Percy Dale Lanphere and Kenneth Miller Howser, both of Spokane, Wash.

★ **TelAutograph Corp.**
Aug. 20 (letter of notification) 1,500 shares of common stock (par $1) to be offered to employees. **Price**—$12.50 per share. **Proceeds**—For corporate purposes. **Office**—1128 Crenshaw Blvd., Los Angeles, Calif. **Underwriter**—None.

★ **Tennessee Gas Transmission Co. (9/18)**
Aug. 29 filed $50,000,000 of first mortgage pipeline bonds due 1976. **Price**—To be supplied by amendment. **Proceeds**—To repay short term notes and for construction program. **Underwriters** — Stone & Webster Securities Corp., White, Weld & Co. and Halsey, Stuart & Co. Inc., all of New York.

★ **Tennessee Gas Transmission Co. (9/18)**
Aug. 29 filed 200,000 shares of cumulative convertible second preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds** — To repay short term notes and for construction program. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co., both of New York.

Texas Calgary Co., Abilene, Texas
June 29 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For drilling for oil and gas expenses. **Underwriter**—Thomson Kernaghan & Co., Ltd., Toronto 1, Ont., Canada.

Thermoray Corp.
June 29 (letter of notification) 380,000 shares of common stock (par 10 cents). **Price** — 75 cents per share. **Proceeds**—For inventory, working capital, etc. **Business**—Electrical heating. **Office**—26 Avenue B, Newark, N. J. **Underwriter**—Eaton & Co., Inc., New York.

Togor Publications, Inc., New York
March 16 (letter of notification) 299,700 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—381 Fourth Ave., New York, N. Y. **Underwriter**—Federal Investment Co., Washington, D. C.

★ **Totem Plywood Inc.**
Aug. 16 (letter of notification) 120 shares of common stock. **Price**—At par ($2,500 per share). **Office**—9232 S. E. Bush St., Portland, Ore. **Underwriter**—None.

Ulrich Manufacturing Co., Roanoke, Ill.
Aug. 20 filed 50,000 shares of class A common stock (par $1). **Price**—$6.50 per share. **Proceeds**—To reduce bank loans and for working capital. **Business**—Earthmoving equipment, etc. **Underwriter**—White & Co., St. Louis, Mo.

Union Chemical & Materials Corp.
May 25 filed 200,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—Chicago, Ill. **Underwriters**—Allen & Co., Bache & Co. and Reynolds & Co., Inc., all of New York. **Offering**—Postponed indefinitely.

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. **Offering**—Put off indefinitely.

United Aircraft Corp. (9/18)
Aug. 28 filed not exceeding 330,915 shares of convertible preference stock (par $100) to be offered for subscription by common stockholders of record Sept. 17, 1956 on the basis of one preference stock for each 16 shares of common stock held; rights to expire on Oct. 2, 1956. **Price**—To be supplied by amendment (but will not be less than $100 per share). **Proceeds** — To repay bank loans, for equipment, working capital and general corporate purposes. **Underwriter**—Harriman Ripley & Co. Inc., New York.

★ **United Cuban Oil, Inc., Los Angeles, Calif. (9/20-27)**
Aug. 29 filed 2,000,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For development and exploration costs. **Underwriter**—S. D. Fuller & Co., New York.

United States Mining & Milling Corp.
July 16 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For exploration and drilling costs and for working capital. **Underwriter**—N. R. Real & Co., Jersey City, N. J.

★ **Universal Finance Corp.**
Aug. 24 (letter of notification) 27,272 shares of 70-cents cumulative preferred stock (par $5) and 13,636 shares of common stock (par 15 cents) to be offered in units consisting of one share of preferred and one-half share of common. **Price**—$11 per unit. **Proceeds**—For working capital. **Office** — Gibraltar Life Bldg., Dallas, Tex. **Underwriters**—Muir Investment Co., and Texas National Corp., both of San Antonio, Tex.

Universal Fuel & Chemical Corp.
May 17 (letter of notification) 300,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—825 Broadway, Farrell, Pa. **Underwriter**—Langley-Howard, Inc., Pittsburgh, Pa.

Universal Investors, Inc., Shreveport, La.
June 27 filed 300,000 shares of common stock (no par). **Price** — $5 per share. **Proceeds** — To organize a new wholly-owned legal reserve life insurance company under Louisiana laws. **Underwriter**—Frank Keith & Co., Inc., Shreveport, La.

★ **Vanadium Alloys Steel Co.**
Aug. 30 (letter of notification) 5,378 shares of capital stock (no par) to be offered to employees. **Price**—At the estimated market price on the day preceding the acceptance of the offer by the employees. **Proceeds**—For general working capital. **Office**—Latrobe, Pa. **Underwriter**—None.

● **Vanadium Corp. of America**
Aug. 14 filed $10,000,000 of 4¼% convertible debentures due Sept. 1, 1976, being offered for subscription by common stockholders of record Sept. 5 at the rate of $100 of debentures for each 13 shares of stock held; rights to expire on Sept. 19. **Price**—100% and accrued interest. **Proceeds**—For expansion program. **Underwriter**—Kidder, Peabody & Co., New York.

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.

★ **Venezuela Diamond Mines, Inc., Miami, Fla.**
Aug. 31 filed 1,500,000 shares of common stock. **Price**—At par (20 cents per share). **Proceeds**—For exploration and mining operations in Venezuela. **Underwriter**—Columbia Securities Co., Inc., of Florida, Miami, Fla.

★**Vicon, Inc.**
Aug. 24 (letter of notification 100,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For the manufacture and sale of a hearing instrument designed for the hard-of-hearing. **Office**—1353 Mesita Road, Colorado Springs, Colo. **Underwriter**—Miller & Co., Tulsa, Okla.

Virginia Electric & Power Co. (9/25)
Aug. 17 filed $20,000,000 of first and refunding mortgage bonds, series M, due Oct. 1, 1986. **Proceeds**—For construction program. **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**—Expected to be received up to 11 a.m. (EDT) on Sept. 25 at 40 Wall St., New York, N. Y.

★ **Wall Street Investment Programs, Boston, Mass.**
Aug. 31 filed $8,000,000 of Systematic Investment Program and Systematic Investment Program with Group Creditor Life Insurance Protection, and $2,000,000 of Single Payment Investment Program. **Office**—Boston, Mass. **Sponsor** — Wall Street Planning Corp., of which Josiah H. Child, Jr., is Board Chairman.

Walt Disney Productions, Burbank, Calif. (9/19)
Aug. 24 filed $7,500,000 of convertible subordinated debentures due Sept. 1, 1976. **Price**—To be supplied by amendment. **Proceeds**—$243,740 to redeem outstanding 4% debentures, series A, due 1960; balance for retirement of secured demand note. **Underwriter**—Kidder, Peabody & Co., New York.

★ **Washington Water Power Co.**
Aug. 27 (letter of notification) an undetermined number of shares of common stock (no par) to be offered to employees. **Price**—To be supplied by amendment. **Proceeds** — For payment for stock on the open market. **Office**—West 825 Trent Ave., Spokane, Wash. **Underwriter**—None.

★ **Welch Petroleum Corp.**
Aug. 9 (letter of notification) 63,595 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For oil and gas development operations. **Office**—425 Fremont St., Las Vegas, Nev. **Underwriter**—None.

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.

★ **Western States Natural Gas Co.**
Aug. 24 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For development of oil and gas. **Office**—Felt Bldg., Salt Lake City, Utah. **Underwriter**—Us-Can Securities, Inc., Jersey City, N. J.

Wheland Co., Chattanooga, Tenn.
May 23 filed $2,000,000 of convertible subordinated debentures due June 1, 1976, and 136,000 shares of common the company's account and 61,000 shares for a selling stockholder. **Price** — To be supplied by amendment. **Proceeds**—Together with proceeds from private sale of $1,500,000 4¾% first mortgage bonds and $900,000 of 3-year unsecured 4½% notes to a group of banks, will be used to retire outstanding series A and series B 5% first mortgage bonds, and for expansion program. **Underwriters**—Hemphill, Noyes & Co., New York; Courts & Co., Atlanta, Ga.; and Equitable Securities Corp., Nashville, Tenn. **Offering** — Temporarily postponed. Not expected until sometime this Fall.

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.

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Wildcat Mountain Corp., Boston, Mass.
Aug. 13 filed $800,000 of 6% subordinated cumulative debentures due Dec. 1, 1976, and 6,000 shares of common stock (no par) to be offered in units of a $400 debenture and three shares of stock. **Price** — $500 per unit. **Proceeds**—For construction and working capital. **Business**—Mountain recreation center. **Underwriter**—None; offering to be made by officers and agents of company.

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.

Wilmington Country Club, Inc., Wilmington, Del.
April 2 filed $1,500,000 of non-interest bearing debentures, due 1991, to be offered to the members of the Club. **Price**—At par ($1,000 per debentures). **Proceeds**—For construction of a golf house and other improvements. **Underwriter**—None.

Wilson & Co., Inc. (9/19)
Aug. 28 filed $20,000,000 of 20-year sinking fund debentures due 1976. **Price**—To be supplied by amendment. **Proceeds** — To redeem presently outstanding first mortgage bonds, to repay bank loans and for expansion program. **Business**—Meat packing firm. **Underwriters**—Smith, Barney & Co.; Glore Forgan & Co. and Hallgarten & Co., all of New York City.

Wisconsin Wood Products, Inc.
June 25 filed 74,016 shares of common stock (par $5) to be offered initially for sale to the present stockholders. It is not expected that more than 42,500 shares will be sold immediately. **Price**—$10 per share. **Proceeds**—For lease of plant and purchase of equipment. **Office**—Phillips, Wis. **Underwriter**—None.

Wyoming Oil & Gas Co.
July 9 (letter of notification) 200,000 shares of common stock. **Price**—At par (25 cents per share). **Proceeds**—For development of oil and gas properties. **Office**—1529 South Forest St., Denver, Colo. **Underwriter**—Wayne Jewell Co., Denver, Colo.

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 Petrofina, Inc.**
Aug. 30 it was announced that following proposed merger with Panhandle Oil Corp., American Petrofina, Inc., will offer to stockholders the opportunity to subscribe to about 1,000,000 shares of "A" stock of American Petrofina. **Price**—$11 per share. **Underwriters**—White, Weld & Co.; Blyth & Co., Inc.; and Hemphill, Noyes & Co. **Offering**—Expected in October.

Appalachian Electric Power Co.
May 31 it was announced company plans to issue and sell in December $24,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Kuhn, Loeb & Co. (jointly); The First Boston Corp.; Harriman Ripley & Co., Inc.

Bank of the Southwest National Association
Aug. 20 it was reported Bank plans to offer to its stockholders the right to subscribe for 75,000 additional shares of capital stock (par $20) on the basis of three new shares for each 20 shares presently held. **Price**—$40 per share. **Proceeds**—To increase capital and surplus. **Office**—Houston, Texas.

Boulder Acceptance Corp., Boulder, Colo.
July 16 it was announced company plans to offer and sell 3,000,000 shares of its common stock. **Price**—At par ($6 per share). **Proceeds**—To construct hotel; set up instalment loan company; and for working capital and general corporate purposes. **Underwriter**—Allen Investment Co., Boulder, Colo. Stock to be sold in Colorado.

★ **Burndy Engineering Co., Inc. (Conn.)**
Aug. 27 it was reported company plans to issue and sell in October some common stock. **Underwriter** — Van Alstyne, Noel & Co., New York.

California Electric Power Co. (10/9)
July 16 it was announced company plans to sell $8,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Shields & Co.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; White, Weld & Co. **Bids**—Expected to be received on Oct. 9.

Carolina Power & Light Co. (11/27)
March 22 it was announced company plans to issue and sell $15,000,000 of first mortgage bonds due 1986. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co Inc.; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); Equitable Securities Corp.; Blyth & Co., Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—Scheduled for Nov. 27.

Central Illinois Public Service Co. (10/23)
Aug. 13 it was reported company plans to issue and sell 170,000 shares of common stock. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly); Glore, Forgan & Co.; The First Boston Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly). Common stock will probably be offered first for subscription by stockholders. **Bids**—Expected to be received on Oct. 23. **Registration** — Planned for Oct. 1.

Central Wisconsin Motor Transport Co.
July 9 it was reported early registration is expected of 34,600 shares of 6% convertible preferred stock (par $10) and 66,500 shares of common stock (the latter to be sold by certain stockholders). **Proceeds**—From sale of preferred to provide funds for expansion. **Office**—Wisconsin Rapids, Wis. **Underwriter** — Loewi & Co., Milwaukee, Wis.

Chicago & Illinois Midland Ry.
Aug. 14 it was announced company plans to issue and sell through negotiated channels an issue of up to $9,000,000 first mortgage bonds (probably privately). **Proceeds**—To retire outstanding 4¾% notes and for purchase of leased equipment.

Coastal Transmission Corp., Houston, Texas
Feb. 29 it was announced an application has been filed with the FPC for construction of a 565.7 mile pipeline system to cost $68,251,000. **Underwriters**—May be Lehman Brothers and Allen & Co., both of New York.

Columbia Gas System, Inc. (10/3)
Aug. 7 it was announced company may issue and sell $25,000,000 of debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected to be received up to 11 a.m. (EDT) on Oct. 3. **Registration**—Planned for Sept. 7.

Consolidated Edison Co. of New York, Inc. (10/23)
Aug. 28 the trustees authorized a proposed sale of $40,000,000 first and refunding mortgage bonds, series M, due 1986. **Proceeds**—To help finance 1956 expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Expected to be received on Oct. 23.

Crane Co., Chicago, Ill.
F. F. Elliott, President, on March 18 stated in part: "To meet the cost of present proposed capital expenditures it appears that some additional financing may be necessary." **Underwriters**—Morgan Stanley & Co. and Clark, Dodge & Co.

Delaware Power & Light Co.
Aug. 13 it was reported company plans to raise about $8,000,000 through the sale of preferred stock. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: White, Weld & Co. and Shields & Co. (jointly); Kidder, Peabody & Co. and Harriman Ripley & Co., Inc. (jointly); Kuhn, Loeb & Co. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Lehman Brothers; W. C. Langley & Co. and Union Securities Corp. (jointly); Blyth & Co., Inc., and The First Boston Corp. (jointly). **Offering** — Not expected until early in 1957.

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.

Eternalite, Inc., New Orleans, La.
May 28 it was reported company plans to issue and sell about 200,000 shares of class A stock. **Price** — Around $4.50 per share. **Underwriter** — Vickers Brothers, New York.

Fairchild Camera & Instrument Corp.
June 11, John H. Clough, President, announced that working capital financing will be required in the near future. **Underwriter**—Glore, Forgan & Co., New York.

Fansteel Metallurgical Corp.
Aug. 15 company announced stockholders will vote Oct. 3 on proposed issue and sale of $3,000,000 subordinated convertible debentures. **Proceeds**—For expansion program. **Underwriter**—Hallgarten & Co., New York.

Flair Records Co.
Aug. 13 it was reported company plans to issue and sell to residents of New York State 50,000 shares of common stock. **Price**—$2 per share. **Underwriter**—Foster-Mann, Inc., New York.

Food Fair Stores, Inc.
Aug. 28 stockholders voted to increase the authorized indebtedness from $35,000,000 to $60,000,000 and to increase the authorized common stock from 5,000,000 shares to 10,000,000 shares. **Underwriter** — Eastman, Dillon & Co., New York.

Four Wheel Drive Auto Co. (10/5)
Aug. 23 it was reported company plans to issue and sell about $1,500,000 of 5% convertible debentures due 1971. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill.

General Contract Corp., St. Louis, Mo.
April 18 it was announced that company plans $5,000,000 additional financing in near future. **Proceeds**—To go to Securities Investment Co., a subsidiary. **Underwriter**—G. H. Walker & Co., St. Louis, Mo.

General Public Utilities Corp.
April 2, A. F. Tegen, President, said that the company plans this year to issue and sell $28,500,000 of new bonds and $14,000,000 of new preferred stock. It is also possible that a new issue of common stock will be offered for subscription by common stockholders before April, 1957. **Proceeds**—To repay bank loans, etc., and for construction program.

Great Southwest Corp. (Texas)
July 16 it was announced this corporation is planning a 5,000-acre industrial development on two sites midway between Dallas and Fort Worth, Tex. Carl M. Loeb, Rhoades & Co., New York, who has acquired a substantial interest in the corporation, may handle any new financing that may be necessary.

Hartfield Stores, Inc.
Aug. 27 it was reported company plans to issue and sell 300,000 shares of common stock. **Price**—Expected at $10 per share. **Underwriter**—Van Alstyne, Noel & Co., New York. **Offering**—Probably early in October.

Haskelite Manufacturing Co.
July 16 it was reported company may be considering sale of about $1,000,000 to $1,500,000 bonds or debentures. **Underwriter**—May be G. H. Walker & Co., St. Louis and New York.

Hawaiian Pineapple Co., Ltd.
Aug. 21 it was announced company plans some new financing. **Proceeds** — To pay long-term debt and for working capital. **Underwriter**—None, if stock is offered to stockholders.

Hawaiian Telephone Co.
July 30 it was announced that company plans to acquire a 15% participation with American Telephone & Telegraph Co. in a proposed $36,700,000 California-to-Hawaii cable and, if approved by the directors on Aug. 16, will be probably be financed by a debenture issue. Hawaiian Telephone Co.'s investment will be approximately $5,500,000. **Underwriter**—Probably Kidder, Peabody & Co., New York.

Herold Radio & Television Corp.
July 25 it was announced stockholders on Aug. 10 will vote on increasing the authorized common stock from 400,000 shares to 1,000,000 shares, in order to provide options (to officers and employees), and for future financing. **Underwriters**—Weill, Blauner & Co., New York, and Hallowell, Sulzberger & Co., Philadelphia, Pa.

High Authority of the European Coal and Steel Community, Luxembourg
July 9 this Authority announced that an American banking group consisting of Kuhn, Loeb & Co., The First Boston Corp. and Lazard Freres & Co. has been appointed to study the possibility of a loan to be issued on the American market. The time, amount and terms will depend on market conditions. **Proceeds** — To be loaned to firms in the Community for expansion of coal mines, coking plants, power plants and iron ore mines.

Houston Texas Gas & Oil Corp., Houston, Texas
Feb. 29 it was announced an application has been filed with the FPC for permission to construct a 961 mile pipeline system to cost $105,836,000. Hearing on this project started on July 9. **Underwriters**—May be Blyth & Co., Inc., San Francisco, Calif.; and Scharff & Jones, Inc., New Orleans, La.

Hudson Pulp & Paper Corp.
June 25 it was reported company may in the Fall do some public financing. **Proceeds**—For expansion. **Underwriter**—Lee Higginson Corp., New York.

Indiana National Bank, Indianapolis, Ind.
Aug. 27 Bank offered stockholders of record Aug. 24, 1956, the right to subscribe on or before Sept. 13 for 125,000 shares of capital stock (par $20) on a 1-for-4 basis. **Price** — $65 per share. **Underwriter** — Blyth & Co., Inc., New York.

★ **Kansas City Power & Light Co.**
April 24 stockholders approved a proposal increasing bonded indebtedness of the company by $20,000,000. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Equitable Securities Corp.; White, Weld & Co. and Shields & Co. (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly). Amount and timing has not yet been determined (probably not until first half of 1957).

Lee Offshore Drilling Co., Tulsa, Okla.
Aug. 20 it was reported company plans registration in September of $2,500,000 of convertible class A stock. **Underwriter**—Rauscher, Pierce & Co., Dallas, Texas.

Long Island Lighting Co.
April 17 it was announced company plans to issue and sell next Fall $20,000,000 to $25,000,000 first mortgage bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Blair & Co., Incorporated and Baxter, Williams & Co. (jointly); Smith, Barney & Co.

★ **Lucky Stores, Inc.**
Aug. 28 the directors of Foremost Dairies, Inc., voted to offer Foremost's stockholders the right to subscribe for 630,000 shares of common stock of Lucky Stores, Inc. at the rate of eight Lucky shares for each 100 shares of Foremost stock held (with an oversubscription privilege). **Price** — $12 per share. **Proceeds** — To Foremost Dairies, Inc. **Underwriter**—Allen & Co., New York.

Marsh Steel Co.
July 3 it was reported company plans to issue and sell some additional common stock. **Proceeds**—For expansion program. **Underwriter**—The First Trust Co. of Lincoln, Neb. **Stock Increase**—Stockholders will vote on increasing authorized common stock from 100,000 to 200,000 shares.

May Department Stores Co.
July 19 it was announced that this company may undertake financing for one or more real estate companies. **Proceeds** — For development of branch stores and regional shopping centers. **Underwriters**—Goldman, Sachs & Co. and Lehman Brothers, New York.

Metropolitan Edison Co.
July 2 it was reported that company is considering the sale of $10,000,000 first mortgage bonds due 1986. **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. **Bids**—Not expected to be received until December.

Michigan Bell Telephone Co.
April 19 company applied to the Michigan P. S. Commission for permission to issue and sell $30,000,000 of 40-year debentures later this year. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

Minneapolis Gas Co.
April 16 stockholders approved an increase in the authorized common stock (par $1) from 1,700,000 shares to 2,500,000 shares. Previous offer to stockholders was underwritten by Kalman & Co., St. Paul, Minn.

National Steel Corp.
March 12 the company announced that it is estimated that total construction expenditures planned to start in the current year and to be completed in mid-1959 will amount to a minimum of $200,000,000. **Underwriters**—Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc.; and The First Boston Corp.

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
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)

Northern Natural Gas Co.
July 19 it was reported company plans to finance its 1956 construction program (costing about $40,000,000) through issuance of debentures and treasury funds in latter part of year. **Underwriter**—Probably Blyth & Co., Inc.

Norwood Gas Co., Norwood, Mass.
Aug. 20 it was announced company plans to offer to its stockholders 1,405 additional shares of common stock on a 1-for-2 basis. New England Electric System owns 2,791 shares out of the 2,810 shares outstanding. **Price**—At par ($100 per share). **Proceeds**—To reduce indebtedness to parent. **Underwriter**—None.

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.

● Ohio Power Co. (10/30)
July 2 it was reported company plans to issue and sell $28,000,000 of first mortgage bonds due 1986. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co. Inc.; Kuhn, Loeb & Co.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly). **Bids**—Expected to be received up to 11 a.m. (EDT) on Oct. 30.

● Ohio Power Co. (10/30)
July 2 it was reported company proposes to issue and sell 60,000 shares of cumulative preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly); Lehman Brothers. **Bids**—Tentatively expected to be received up to 11 a.m. (EDT) on Oct. 30.

Oklahoma Corp., Oklahoma City, Okla.
July 26 it was announced company has been authorized by the Oklahoma Securities Commission to issue and sell in the State of Oklahoma $20,000,000 of its capital stock ($10,000,000 within organization and $10,000,000 publicly). **Proceeds**—To organize or acquire seven subsidiaries. **Business**—A holding company. **Underwriter**—None.

Oklahoma Gas & Electric Co.
May 17 stockholders voted to increase the authorized preferred stock from 240,000 shares to 500,000 shares and the authorized common stock from 3,681,000 shares to 5,000,000 shares. Company has no immediate plan to do any equity financing. **Underwriters**—(1) for any common stock (probably first to stockholders) — Merrill Lynch, Pierce, Fenner & Beane. (2) For preferred stock, to be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); The First Boston Corp.; Lehman Brothers and Blyth & Co., Inc. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc.

Pacific Northwest Pipeline Corp.
March 20 C. R. Williams, President, announced that about 280,000 shares of common stock (par $1) are to be sold in connection with subscription contracts which were entered into at the time of the original financing in April of 1955. **Price**—$10 per share. **Proceeds**—Together with funds from private sale of $35,000,000 additional first mortgage bonds, and $10,000,000 of 5.6% interim notes and borrowings from banks, will be used to construction program. **Underwriters**—White, Weld & Co.; Kidder, Peabody & Co.; The Dominion Securities Corp.; and Union Securities Corp. **Registration** — Expected soon.

Pacific Northwest Power Co.
Aug. 13 it was reported company plans to sell about $32,000,000 of common stock to the organizing companies and that arrangements are expected to be made to borrow up to $60,000,000 on a revolving bank loan which will be reduced through the sale of bonds to institutional investors as well as the general public. **Proceeds**—To pay, in part, for cost of new power project to cost an estimated $217,400,000.

Palisades Amusement Park, Fort Lee, N. J.
Aug. 21, Irving Rosenthal, President, announced that company plans to purchase another amusement park and merge the two and then sell stock to public.

Pan Cuba Oil & Metals Corp. (Del.)
April 9, Walter E. Seibert, President, announced that company will soon file a registration statement with the SEC preparatory to an equity offering planned to take place later this year. **Business**—To explore, drill and operate oil, gas and mineral properties in the United States, Cuba and Canada. **Office**—120 Broadway, New York, N. Y.

Pittsburgh Rys. Co.
May 4 it was announced that Standard Gas & Electric Co. will offer to its stockholders rights to subscribe for 540,651.75 shares of Pittsburgh Rys. Co. **Price**—About $6 per share.

Pocahontas Fuel Co., Inc.
July 27 it was announced that following 100% stock distribution to stockholders of record Aug. 28, 1956, a public offering of approximately 200,000 shares of capital stock, consisting of shares held in the treasury and by certain stockholders. **Underwriters**—Morgan Stanley & Co. and F. S. Smithers & Co., both of New York. **Offering**—Expected in September.

Public Service Co. of Indiana, Inc. (10/16)
July 30 it was reported company may issue and sell about $30,000,000 first mortgage bonds. **Proceeds** — To retire bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co. Inc.; Glore, Forgan & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly). **Bids**—Expected to be received on or about Oct. 16.

● Public Service Electric & Gas Co. (11/14)
April 16, Lyle McDonald, Chairman, estimated that requirements for new capital this year will be approximately $80,000,000 to $85,000,000. [It is now planned to issue and sell $50,000,000 of first and refunding mortgage bonds.] **Proceeds** — To help finance construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co., and Lehman Brothers (jointly); Morgan Stanley & Co. and Drexel & Co. (jointly). **Bids**—Tentatively scheduled to be received up to 11 a.m. (EST) on Nov. 14.

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.

Racine Hydraulics & Machinery, Inc.
Aug. 21 it was announced that company plans to issue and sell 15,000 shares of $1.20 cumulative preferred stock, series A (par $20) and 25,000 shares of common stock. **Proceeds**—For expansion and working capital. **Underwriter**—Loewi & Co., Milwaukee, Wis. **Offering**—Expected in September.

★ St. Louis-San Francisco Ry.
Sept. 5 company offered not exceeding $61,600,000 of 50-year income 5% debentures, series A, due Jan. 1, 2006, 154,000 shares of common stock (no par), and cash equivalent to the unpaid portion of the preferred dividend which has been declared payable in 1956, in exchange for its 616,000 shares of $100 par value 5% preferred stock, series A, on the basis of $100 of debentures, one-quarter share of common stock and unpaid dividends of $2.50 per preferred share in exchange for each 5% preferred share. The offer will expire on Dec. 31, 1956, unless extended. **Dealer-Manager**—Eastman, Dillon, Union Securities & Co., New York. **Exchange Agent**—The Chase Manhattan Bank, New York.

Sears, Roebuck & Co.
Aug. 13 it was reported that company may be considering new financing. **Proceeds**—To repay $200,000,000 bank loans. **Underwriter**—Goldman, Sachs & Co., New York.

South Carolina Electric & Gas Co.
March 9, S. C. McMeekin, President, announced that it is expected that $10,000,000 of new money will be required in connection with the company's 1956 construction program. The company proposes to obtain a part of its new money requirements from the sale of $5,000,000 of preferred stock and the balance from the private sale of $5,000,000 principal amount of bonds. **Underwriter**—Kidder, Peabody & Co., New York.

★ Southern Bell Telephone & Telegraph Co. (10/8)
Aug. 30 it was announced that company plans to issue and sell $60,000,000 of 27-year debentures due Oct. 1, 1983. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Tentatively scheduled to be opened on Oct. 8. **Registration**—Planned for Sept. 18.

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.

Southern Pacific RR. Co. (9/19)
Aug. 8 it was reported company may issue and sell $35,000,000 of first mortgage bonds, series H, due 1983. **Proceeds**—For capital expenditures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. **Bids**—To be received up to noon (EDT) on Sept. 19.

Southern Union Gas Co.
April 19 it was announced company is considering issuance and sale to stockholders later this year of some additional common stock on a pro rata basis (with an oversubscription privilege). **Underwriter**—None.

Southern Union Gas Co.
Aug. 27 it was reported company plans offering to its common stockholders of record Sept. 26, 1956, of about 170,000 additional shares of common stock on the basis of one new share for each 12 shares held (with an oversubscription privilege); rights to expire in about 20 days after subscription warrants are mailed. **Underwriter**—None. **Registration**—Expected early in September.

Southwestern Public Service Co.
Aug. 7 it was announced company plans to issue and sell in February or March, 1957, $5,000,000 of first mortgage bonds and $5,000,000 additional common stock first to stockholders on a 1-for-20 basis. **Proceeds**—For construction program. **Underwriter**—Dillon, Read & Co., New York.

Transcontinental Gas Pipe Line Corp.
Aug. 13 it was reported company may offer to its stockholders about $7,000,000 additional common stock later this year. **Underwriters**—White, Weld & Co.; Stone & Webster Securities Corp.

Underwood Corp.
Aug. 13 it was reported that company may offer publicly this fall an issue of convertible debentures. **Underwriter**—Lehman Brothers, New York.

United States Rubber Co.
June 29, H. E. Humphreys, Jr., Chairman, stated that issuance of convertible debentures is one of several possible methods the company has been considering for raising $50,000,000 to $60,000,000 which may be needed for plant expansion and working capital. He added that, if convertible debentures are issued, they will be offered pro rata to common stockholders. **Underwriter**—Kuhn, Loeb & Co., New York.

University Life Insurance Co., Norman, Okla.
June 21, Wayne Wallace, President, announced company plans in near future to offer to its 200 stockholders 500,000 additional shares of common voting stock at rate of not more than 2,500 shares to each stockholder. Rights will expire on Aug. 1. Unsubscribed stock will be offered to residents of Oklahoma only. **Price**—$2 per share. **Underwriter**—None.

Virginian Ry. (10/4)
Aug. 20 it was reported the company has applied to the ICC for authority to issue and sell $3,600,000 equipment trust certificates, which will mature in 15 equal annual installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Kidder, Peabody & Co.; Blair & Co. Incorporated. **Bids**—Expected on or about Oct. 4.

Washington Gas Light Co.
June 7 it was announced company proposes to finance proposed new construction of pipeline in Virginia to cost about $3,380,000 from funds generated by operations, sale of common stock and temporary bank borrowings. **Underwriter** — The First Boston Corp., New York; and Johnston, Lemon & Co., Washington, D. C.

Mutual Funds

By ROBERT R. RICH

Suez and Price of Crude Oil

Earlier this year we said the stage was being set for an increase in the price of crude oil. Since then, the spiral of labor and material, particularly steel, has further increased costs which were already high in relation to crude-oil prices. Refining spreads are near the high of the past few years; demand is up in 1956 by 5.5%. Ordinarily, this combination would mean a price increase. But domestic production has increased 4.4% and imports by over 11%, resulting in higher than necessary inventories.

The Suez crisis shakes confidence in the reliability of imports. Therefore, this strengthens the position of domestic producers, Senators and Representatives, Defense Mobilizer Flemming and other government officials in checking the increasing trend of imports. The corollary of this is an increase in domestic production. The State of Texas has for some time required oil wells to shut down about one-half of each month. This shut-in production spells potential profits for the oil industry, particularly as Texas produces about half of U. S. oil.

These considerations suggest that an increase in the U. S. A. price of crude may be expected.

Oil is a world commodity, and the life-blood of industrial nations. A crude-price increase would be world wide. As to Suez, we are confident that some settlement will be reached permitting the ships to pass through the Ditch without interruption. We are also sure that this settlement will cost money to pay off the Egyptians. Probably the other Arab nations will also try to get more money. These costs will largely be paid by the oil companies and will be passed on to their customers. Logic thus again points to an increase in the price of crude. Timing, of course, is difficult to predict.—Jerome C. Hunsaker, Jr., Vice-President, Gas Industries Fund, Inc.

Wellington's Sales Set New Highs in First Eight Months

Wellington Fund last month set another new sales record of $7,497,000, the largest for any August in the 27-year history of the fund, A. J. Wilkins, Vice-President, reported. These sales exceeded the like month of 1955 by $1,415,000.

Wellington Fund sales in the first eight months of this year also were at new high levels, Mr. Wilkins stated. Gross sales for the period amounted to $69,572,000, up 60% from sales of $43,480,000 reported for the first eight months of 1955. Wellington Fund at present has approximately 190,000 shareholders, placing it among the ten largest corporations in the country in number of shareholders.

"Systematic Withdrawal Plan" Highly Successful

Wellington Fund's "Systematic Withdrawal Plan," launched about a year ago, has met with considerable dealer and investor acceptance, according to the latest issue of "Wellington News" mailed out this week to investment dealers throughout the country. In this short period more than $2,000,000 has been invested in the plan by people who have found that the convenient features of the plan fill a need in their financial programs.

The plan, in brief, provides that an investor can receive automatically a check every month, or quarter, in any amount he wishes from a Wellington Fund investment account until his investments are completely withdrawn; provided the investor opens his account with a Wellington investment of at least $10,000. Withdrawals must be at least $50 or more each month or quarter. Full and fractional shares are liquidated to meet the stipulated withdrawals. All dividend distributions are reinvested in additional shares. The Corporation Trust Company in New York acts as custodian for planholders and handles all of the mechanics of the plan.

While the minimum initial investment under the plan is $10,000, plans started to date average about $16,000. The largest plan to date was started with an investment of $138,000.

Diversified's Bond List Strengthened

Bond market weakness in the past 90 days afforded a number of opportunities for Diversified Investment Fund, a balanced fund, to further strengthen its investments in senior securities. Issues added to its bond list included American Telephone & Telegraph 3⅞s, 1990; Champion Paper and Fibre Deb. 3¾s, 1981; Jersey Central Power and Light 4⅛s, 1986, and Pacific Telephone & Telegraph Deb. 4⅜s, 1988. Holdings reduced were Denver, Rio Grande and Western 4½s, 2018; New York, Chicago & St. Louis Deb. 4½s, 1989; Northern Pacific Ref. 4½s, 2047 and Southern Pacific Deb. 4½s, 1981.

The balance between cash and senior securities on the one hand and common stocks on the other remained virtually unchanged, the proportions amounting to 30.7% and 69.3% respectively.

At the end of Diversified Investment Fund's third quarter on Aug. 31, net assets amounted to $9.58 per share compared to $9.24 on May 31, 1956. Total net assets increased to more than $65 million during the quarter and shares outstanding reached a new peak of 6,861,547.

Income dividends paid during the first nine months of the Fund's fiscal year totaled 30c per share compared to 29c in the like period of 1955.

Bullock Fund Net Assets Top $32 Million Mark

Net assets of Bullock Fund, Ltd., a mutual fund managed by Calvin Bullock, passed the $32,000,000 mark during the last three months, according to the quarterly report for the period ended July 31, 1956, currently being sent to shareholders. On July 31, total net assets were $32,136,154, as compared with net assets of $30,697,067 reported for April 30, 1956.

Bullock Fund recently declared an increased quarterly dividend from net investment income of 10 cents per share, payable Sept. 1, 1956. It was the 95th consecutive quarterly dividend of the fund, and represented a 10% increase per share over the two previous such dividends paid in 1956, and is greater than each of the four payment in 1955.

The five largest investments of the fund on July 31 were U. S. Steel, du Pont, Bethlehem Steel, Boeing Airplane and International Paper.

Important purchases during the last quarter included 10,200 shares of Sunray Mid-Continent Oil Company, 5,000 shares of Granite City Steel Company, 5,000 shares of Glenn L. Martin Company, and 3,400 shares of McDonnell Aircraft Corporation.

A Puzzler!

TV at Conventions was effective, but Democrats' show produced better results.

During both the Democratic and Republican National Conventions, Calvin Bullock, Ltd., managers of mutual funds, sponsored 10 and 20 second spot announcements for Dividend Shares, one of the largest mutual funds, on the WABC-TV, Channel 7, evening shows covering the conventions. Results of this advertising, according to John Dalenz, Vice-President and Sales Manager of the company which managers more than $400,000,000 in assets, were most satisfactory. This advertising campaign is thought to be the largest television venture ever sponsored by a mutual fund on such an occasion.

The only thing that gives the Bullock organization pause is the fact that viewers of the Democratic Convention in Chicago responded to the mutual funds' sales approach with far greater enthusiasm than did those watching the Republican Convention in San Francisco. Calvin Bullock's research staff would like to know why.

Canadian Fund's Net Assets Now Over $43 Million

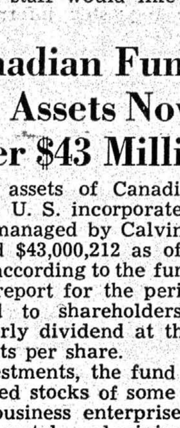
Net assets of Canadian Fund, Inc., a U. S. incorporated mutual fund managed by Calvin Bullock, totaled $43,000,212 as of July 31, 1956, according to the fund's quarterly report for the period, being mailed to shareholders with a quarterly dividend at the rate of 10 cents per share.

Investments, the fund reported, included stocks of some 48 Canadian business enterprises, chiefly in the metals and mining industry (21.8% of the fund's assets), the pulp and paper industry (19.6%) and the oil and gas industry (19.3%).

Major changes in the fund's portfolio in the last quarter were purchases of 1,000 shares of Henry Morgan & Company Limited and 800 shares of Industrial Acceptance Corp, Ltd.

Urban Mooney Joins Fahnestock & Co.

Urban D. Mooney, Jr., has joined Fahnestock & Co., 65 Broadway, New York City, members of the New York Stock Exchange, as Manager of the Bond Department. Mr. Mooney was formerly associated with Bear, Stearns & Co. and Lehman Brothers.



Urban D. Mooney, Jr.

Alb. E. Gordon Appointed By Distributors Group, Inc.

MIAMI, Fla.—Albert E. Gordon, previously Manager of the Miami office of Francis I. duPont & Co., has been appointed Southeastern Regional Manager of Distributors Group, Inc., sponsors of the mutual funds of Group Securities, Inc. He succeeds Ronald A. Beaton, who has been appointed Vice-President of the sponsor organization.

Albert E. Gordon

Mr. Gordon's broad investment experience includes earlier posts with Merrill Lynch, Pierce, Fenner & Beane, including the resident managership of their Fort Wayne, Ind., and Fresno, Calif., offices.

Before World War II, during which Mr. Gordon served two years with the Navy as a communications officer in the Pacific area, he was associated with the Stewart Warner Corporation as an Accountant and with the Metropolitan Life Insurance Company as an agent.

His territory includes Florida, Georgia, Mississippi, Alabama, Louisiana and part of Tennessee, and he will make his headquarters at 6840 S. W. 19th St., in Miami.

Walston & Co., Inc. Opens Chicago Office

CHICAGO, Ill.—Walston & Co., Inc., one of the nation's leading brokerage firms, is opening a branch office in Chicago today at 231 South La Salle Street. The firm has acquired the assets of Mid-Continent Investment and Securities Corporation, located at the LaSalle Street address, and has named William W. Sims, heretofore President of Mid-Continent Investment, as Resident Manager of the new office, the 45th in the firm's coast-to-coast organization. Coincident with the announcement of the entry of Walston & Co. into the Chicago area, Mr. Sims announced the withdrawal of Mid-Continent Investment from the securities business. Mr. Sims also said that officers and employees of Mid-Continent have become associated with the Walston office and that Walston & Co., Inc. has acquired the membership of Mid-Continent on the Midwest Stock Exchange. The main office of Walston & Co., Inc. is located in New York City.

Central Nat'l Corp. Elects Officers

Central National Corporation, 100 Park Avenue, New York City, underwriters, distributors and dealers in investment securities, announced the election of Donald E. Peiser as Vice-President, and Harold J. Kingsberg as Assistant Vice-President.

Toward Financial Tranquility

By TYLER KAY
Proprietor, Mutual Funds Center, Buffalo, New York

Writer cites "more intimate measuring sticks," aside from conventional statistics, to be used in determining performance record of the Funds. Calls attention to vast capital accumulation in hands of some 50 million "financially un-informed."

Some 40 to 50 million non-stockholder Americans seem to be clamoring for an extension of something like social security for their money accumulations. And there may be a satisfactory answer to their yet inarticulate quest for gain without risk. In time the foremost mutual investment companies may be a partial answer.

Meantime, ask any sales representative of mutual fund shares, at the retail level, to tell you how much time he spends and how often he has had to make an unsatisfactory reply to his financially un-informed prospects' questions: "Is it safe?"

Performance records of the mutual funds are spread out for all to see and as now published these records are revealing and generally good. The record also is subject to many and varied interpretations. What the record does not reveal is perhaps as important as the figures.

During its entire existence any mutual fund under observation may have done well. What did it do in *each* of the ten-year periods? By that is meant if the Fund started in business on Dec. 31, 1934, what was the performance 1934 to 1943 and 1935 to 1944, etc. for each ten-year period since its inception, to Dec. 31, 1955? Company with Dow-Jones, what was the record during a recent defined bull market and during designated depressed periods; what last year; last two and five years; last six months?

Figures, especially current figures, are important but not all-important. After ten years of studying the funds, of planning for and conducting a mass selling program and of making many personal sales, from ten dollars upward, to all sorts of people, mostly those financially un-informed, here is what the writer has learned, as a means of judging the future performance of a fund.

Starting with an old Hungarian proverb, to the effect that "too good is no good," there is the fund burdened with too many different issues—too conscientious of providing the least risk. Then there are funds with rigid formulas. Happily, in contrast, there are the fully managed funds. Some of these, however, may fail to take full advantage of their broad powers. Others may seem to drift. Then there are those that demonstrate, not in one ten-year period but in many, time and time again, their competency to manage other people's money.

How does any fund prove this competency? For example, in retrospect, when it has taken to shelter by retreating into a position with an overweighting in bonds and preferred issues. Then again it demonstrates its competence when it has come out of that shelter. Or when it took a wise position early enough in the steels, utilities, etc.

Thus it is, in the opinion of the writer, some mutual funds are approaching the area where their consistently satisfactory performance may entitle them to become candidates for providing a good approach to partial financial tranquility for 40 to 50 million financially un-informed Americans. In addition to the foregoing there are other and more intimate measuring sticks that must be applied.

Let us examine the vital points that the performance record does not reveal.

(1) What was the fund's president's business experience for the ten years or years just prior to associating with the fund?

(2) If the manager of the fund's management is other than the president, what was his business experience for the ten years or years just prior to associating with the fund?

(3) With what kind of personnel has the president and/or manager of the fund surrounded himself? In other words how much "in-breeding" is there? . . . meaning, is the personnel weighted too much with same college men, fraternity brothers, in-laws, relatives, close friends and the like?

(4) How much money has the president of the fund, its management, officers and the personnel of the wholesaler or underwriter invested in the fund? And (b) how much money, in addition, has the immediate family of the fund's president and the head of the underwriter invested in the fund?

(5) When the fund is requested to furnish certain figures pertaining to the fund or asked for any other pertinent information—does it readily provide unequivocal answers? Or does it fence-straddle by leaning on the SEC, NASD or "time or expense cost" to produce the requested information? When a fund obviously ducks such questions, this writer wonders how proud it is of the performance record.

(6) Who are the people that make up the wholesaler's organization charged with contacting the dealers? (b) What is their preparation for answering the questions dealers may ask about their Fund?

A sales representative sells constantly. Each sale he makes is a hope for future good management performance regardless of the vicissitudes of time or the Dow-Jones averages. Thus the future success of any Fund is dependent upon its present and future management. To reduce the element of change and luck, good or bad that any Fund may experience, all the foregoing figures and factors need to be evaluated together.

Funds that "measure up" will be the best candidates for "insurance-against-capital-loss."

Forty to fifty million financially un-informed Americans seek safety, WITH THE MOST ENHANCEMENT PRUDENTLY OBTAINABLE, for their present $250 billion of accumulations. When thus assured they will provide, from their ever increasing personal spendable-savable-income, a continuous flow of new capital.

Industry seeks the use of some $30 billion of the above available capital in order to complete its projected expenditures from now to 1965.

Bringing the capital of the financially un-informed to be used by industry and doing so at the least cost in time and expense for all concerned is the problem, best approached by a low premium rate for "insurance-against-capital-loss."

Two With Mountain States

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Ralph V. Edgar and Willard G. Rhodes have become associated with Mountain States Securities Corp., Denver Club Building. Mr. Edgar was formerly with Carroll, Kirchner & Jaquith, Inc.

Railroad Securities

By GERALD D. McKEEVER

Seaboard Air Line

Last November the Seaboard Air Line was featured in this column as affording exceptional investment value. Mentioned particularly were its light and simple capitalization, its outstanding growth record, and its remarkable operating efficiency. At that time the road's "pre-split" stock was selling just under 75. Following the two-for-one split in April of this year, and without an increase in dividend payment, the new stock moved up to 44¾ which was equivalent to 89½ on the old stock. At the current price of 37½, or 75 for the old shares, Seaboard is just about back to where it was when it attracted attention some nine months ago.

What we want to do now is to learn why the setback and to find if there has been any deterioration or change in circumstances and outlook to cast doubt on the continuity of the $2.50 dividend rate on the present shares. If there is no such evidence the 6.7% yield that it affords at the present price once again will call for reaffirmance of its attractiveness, not only for yield but also because of its good price formation, for those who study charts, and evidence of support again around a price level roughly equivalent to the lows of last year.

There are several reasons for the decline of Seaboard stock. One, of course, has been the reactionary trend of the rails generally, but this is only partly to blame since the decline in the rail averages has been only a little over 10% whereas Seaboard has had a net decline of some 16% from the year's high. The particular pressure on Seaboard is believed to stem from so-called institutional selling, but by the type of institution which is more interested in extensive further capital gain, and they may feel that they have had it to a large extent in Seaboard for the time being. According to published reports, two of the largest sellers have been Pennroad and Massachusetts Investors Trust. Due to a change in policy calling for diversification of its portfolio, Pennroad has been a seller of rails for some time, so that its action may have only limited bearing on its thinking as to the outlook for the Seaboard. The investment companies are not necessarily long-term investors in any one situation. They are flexible and opportunist and their decision to liquidate all or part of their Seaboard position might be compared to "not loving Ceasar less, but Rome more."

The timing of a move to liquidate now may be due to a belief that this road may have reached an intermediate plateau in its progress and some support for this view appears to be found, at least superficially, in results thus far this year. Exceptional growth has come to be associated with the Seaboard, but results for the first seven months this year have not been any more thrilling than for most other roads with the exception of the major soft coal carriers. The 7.9% increase in the revenues of the Seaboard for the first seven months does not seem impressive in comparison with the Class I average result, and particularly in view of the fact that Seaboard's revenues in the first seven months of last year had been unduly depressed by two strikes. First, the strike against the Louisville & Nashville and its Nashville, Chattanooga & St. Louis subsidiary which lasted some two months before settlement in mid-May cost the Seaboard a substantial volume of interchange traffic. Secondly, revenues for the first seven months of last year also reflected the effect of two full months of the strike against the Florida Phosphate plants. There has thus been the basis for belief that the revenue gain for the first seven months of the current year should have been greater as compared with the corresponding 1955 period, particularly since it includes a 5 to 6% freight rate increase for almost five of the seven months.

The other source of the disappointment, the meager increase in earnings thus far in 1956 is not peculiar to the Seaboard but instead is quite epidemic due to the inordinate increase in expenses this year. Per share earnings for the first seven months were $2.60 this year scarcely more on a per share basis than for the first seven months in 1955. However, this poor showing was due more to a larger Federal tax "bite" than to any important increase in the road's operating cost ratios, and what small increase has occurred has been due to inflation and not to any relinquishment of the efficiency of operations that has been a characteristic of this road.

For instance, the transportation ratio for the first seven months of this year was 33% as against 32.1% for the corresponding 1955 period, and the total operating cost ratio was only 72.8% as against 72.3% for the 1955 period.

As a result of this stringent cost control, which also included a reduction of 0.7 percentage point in the maintenance ratio to 32.5% for the first seven months this year, and which this road can easily stand because of its prime physical condition, pre-tax net showed a $1.1 million increase as against the increase of only $124,000 for net after taxes. The greater erosion of net due to the Federal tax may also be part of the answer to the restrained attitude of the market to Seaboard common. For some reason the Seaboard has been singled out as the horrible example of vulnerableness of earnings to the eventually vanishing factor of tax deferral due to fast amortization. The 26% proportion represented by the $1.21 per share tax deferral factor in 1955 net of $4.53 per share for the Seaboard—both figures adjusted for the two-for-one split this year—is exceeded in numerous cases. For the Seaboard there is the greater chance that loss of this temporary additive to net income may find compensation in growth of net before taxes.

This does not come about immediately as it happens to be wanted as current results are showing. It takes time, and in the meantime, there is the period of squeeze such as is being experienced. Of the $7.1 million increase in gross for the first seven months of this year as compared with the corresponding 1955 period, increased operating expenses took $5.7 million, an increase in other expenses took some $400,000 more, and the increase in Federal taxes, another $976,000. Thus the meager increase in net of only about $125,000 or less than three cents per share for the period.

August results may make a moderately better comparison as indicated by the 10.9% increase in car loadings for the three weeks reported thus far. This gain, of course, still reflects largely the depression in the corresponding 1955 period due to the loss of phosphate traffic, but it should be borne in mind that gains could be even wider except that the fertilizer industry, which is the largest phosphate user, has had slow going due to the unsatisfactory farm price situation this year. Nevertheless, signs of a pick-up are said to be in evidence.

The longer term picture is more important, however. The industrial growth of the South is proceeding unabated. Last year, 134 new permanent industries and 30 of temporary character were located on the lines of the Seaboard while 30 existing plants were expanded. Altogether these represent the investment of about $86 million. This month the $27 million ammunition terminal of the Army at King's Bay, Ga. is scheduled to open. The St. Mary's RR., a short line which serves it presently, connects only with the Seaboard, but the short line has applied to the ICC for permission to construct a connecting line to the Atlantic Coast Line. Whether the Seaboard will get all of this business depends on the pending decision of the Commission.

This growth trend should dispel the idea that the Seaboard, fully dieselized, with modern yards and with extensive CTC installation is so good that it can not get much better. Despite the mediocre start this year, it is nevertheless estimated that the road's earnings for the full year 1956 should be in excess of $5 per share. Selling at 7½ times this estimate or less, and producing a yield that is far above that of any rail stock of comparable high quality, it is no wonder that Seaboard is making a pronounced "bottom formation" around the 37-38 level. Once the selling pressure abates, another rebound is not unlikely.

Industrial Limerock Stock at $2 a Share

M. S. Gerber, Inc., and James M. Toolan & Co., both of New York City, are publicly offering as a speculation an issue of 300,000 shares of common stock (par one cent) of Industrial Limerock, Inc., Miami, Fla., at $2 per share. For each four shares purchased, the purchaser has the option to buy one common stock purchase warrant at one cent per warrant.

Each warrant will entitle the holder thereof to purchase one share of common stock at a price of $2 per share until the close of business on Feb. 21, 1958.

The net proceeds are to be used to repay loans amounting to $22,473; for the purchase and installation of a complete rock crusher and rock crushing plant with a capacity of 200 tons per hour; for the installation of a railroad siding, for equipment, and for working capital and general corporate purposes.

Industrial Limerock, Inc. was organized in Delaware on April 18, 1936. It has no operating history. It holds a lease on approximately 12,300 acres of land located in Collier County, Fla., containing deposits of limestone. Said lease was acquired from the Edwin L. Wheeler Rock Co. The principal business of the corporation will be to mine and produce limerock aggregate for use in the manufacture of concrete blocks and ready-mix concrete and as a base for asphalt and in addition to mine base rock for road and highway construction and similar construction projects.

Giving effect to the above financing, there will be outstanding 900,000 shares of common stock and 350,000 common stock purchase warrants.

Two With W. G. Nielsen

(Special to THE FINANCIAL CHRONICLE)

BURBANK, Calif. — Marie G. Montmeny and C. Lynn Skeen have been added to the staff of W. G. Nielsen Co., 912 North Hollywood Way.

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)	Sept. 9	§98.7	*97.0	57.5	93.8
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 9	§2,429,000	*2,389,000	1,415,000	2,264,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Aug. 24	7,126,550	7,122,100	7,085,800	6,684,800
Crude runs to stills—daily average (bbls.)	Aug. 24	¶7,943,000	7,899,000	7,990,000	7,582,000
Gasoline output (bbls.)	Aug. 24	27,523,000	27,372,000	27,474,000	26,611,000
Kerosene output (bbls.)	Aug. 24	2,009,000	2,268,000	2,200,000	2,044,000
Distillate fuel oil output (bbls.)	Aug. 24	13,014,000	12,687,000	12,632,000	11,307,000
Residual fuel oil output (bbls.)	Aug. 24	7,831,000	7,896,000	7,629,000	8,027,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 24	175,816,000	176,202,000	177,052,000	154,698,000
Kerosene (bbls.) at	Aug. 24	31,521,000	30,717,000	28,883,000	34,093,000
Distillate fuel oil (bbls.) at	Aug. 24	134,381,000	128,934,000	113,600,000	129,794,000
Residual fuel oil (bbls.) at	Aug. 24	46,069,000	44,996,000	43,168,000	46,459,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 25	770,413	769,624	649,806	787,272
Revenue freight received from connections (no. of cars)	Aug. 25	645,157	623,615	581,238	650,186
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 30	$616,641,000	$321,458,000	$309,450,400	$330,296,000
Private construction	Aug. 30	465,535,000	151,690,000	190,237,000	166,329,000
Public construction	Aug. 30	151,106,000	169,768,000	119,217,000	163,967,000
State and municipal	Aug. 30	126,907,000	149,376,000	110,141,000	144,631,000
Federal	Aug. 30	24,199,000	20,392,000	9,076,000	19,336,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 25	9,950,000	*9,880,000	9,030,000	9,640,000
Pennsylvania anthracite (tons)	Aug. 25	597,000	576,000	581,000	322,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Aug. 25	120	111	97	111
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 1	11,565,000	11,340,000	11,190,000	10,706,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Aug. 30	237	215	282	215
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 28	5.622c	5.622c	5.179c	5.174c
Pig iron (per gross ton)	Aug. 28	$63.04	$63.15	$61.36	$59.09
Scrap steel (per gross ton)	Aug. 28	$58.17	$57.50	$52.67	$43.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 29	39.650c	39.625c	39.500c	42.525c
Export refinery at	Aug. 29	37.350c	37.250c	36.050c	42.600c
Straits tin (New York) at	Aug. 29	99.250c	99.250c	99.250c	95.750c
Lead (New York) at	Aug. 29	16.000c	16.000c	16.000c	15.000c
Lead (St. Louis) at	Aug. 29	15.800c	15.800c	15.800c	14.800c
Zinc (East St. Louis) at	Aug. 29	13.500c	13.500c	13.500c	12.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 4	91.11	91.16	92.59	94.71
Average corporate	Sept. 4	100.81	101.47	102.96	107.27
Aaa	Sept. 4	103.97	104.48	106.56	110.52
Aa	Sept. 4	102.80	103.30	104.83	109.06
A	Sept. 4	100.98	101.47	102.80	107.27
Baa	Sept. 4	96.07	96.69	97.94	102.63
Railroad Group	Sept. 4	99.20	99.68	101.31	106.04
Public Utilities Group	Sept. 4	101.47	101.97	103.47	107.80
Industrials Group	Sept. 4	101.97	102.63	104.14	108.16
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 4	3.21	3.21	3.08	2.89
Average corporate	Sept. 4	3.70	3.66	3.57	3.32
Aaa	Sept. 4	3.51	3.48	3.36	3.14
Aa	Sept. 4	3.58	3.55	3.46	3.22
A	Sept. 4	3.69	3.66	3.58	3.32
Baa	Sept. 4	4.00	3.96	3.88	3.59
Railroad Group	Sept. 4	3.80	3.77	3.67	3.39
Public Utilities Group	Sept. 4	3.66	3.63	3.54	3.29
Industrials Group	Sept. 4	3.63	3.59	3.50	3.27
MOODY'S COMMODITY INDEX	Sept. 4	425.4	427.2	418.3	407.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 25	229,682	224,619	242,240	249,364
Production (tons)	Aug. 25	270,150	273,756	268,101	283,215
Percentage of activity	Aug. 25	94	95	94	99
Unfilled orders (tons) at end of period	Aug. 25	425,635	468,690	464,529	589,665
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Aug. 31	108.81	108.93	109.01	106.61
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	Aug. 11	1,382,828	1,378,479	1,326,164	975,290
Dollar value	Aug. 11	$76,721,948	$75,842,238	$69,678,346	$51,612,834
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Aug. 11	1,089,328	1,131,208	1,062,866	785,375
Customers' short sales	Aug. 11	6,899	7,685	6,389	5,881
Customers' other sales	Aug. 11	1,082,429	1,123,523	1,056,477	779,494
Dollar value	Aug. 11	$56,535,994	$58,225,321	$53,330,636	$41,063,005
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 11	272,250	282,010	255,380	203,660
Short sales	Aug. 11	------	------	------	------
Other sales	Aug. 11	272,250	282,010	255,380	203,660
Round-lot purchases by dealers—					
Number of shares	Aug. 11	555,310	551,640	509,960	403,730
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	Aug. 11	497,060	531,900	514,360	393,310
Other sales	Aug. 11	11,418,760	11,529,300	11,744,040	8,742,810
Total sales	Aug. 11	11,915,820	12,061,200	12,258,400	9,136,120
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Aug. 11	1,662,390	1,592,310	1,525,140	1,206,010
Short sales	Aug. 11	280,800	298,920	307,060	180,900
Other sales	Aug. 11	1,386,030	1,297,710	1,327,010	979,190
Total sales	Aug. 11	1,666,830	1,596,630	1,634,070	1,160,090
Other transactions initiated on the floor—					
Total purchases	Aug. 11	317,940	314,930	343,490	238,530
Short sales	Aug. 11	18,900	16,800	16,900	16,900
Other sales	Aug. 11	321,310	291,720	374,580	252,480
Total sales	Aug. 11	340,210	308,520	391,480	269,380
Other transactions initiated off the floor—					
Total purchases	Aug. 11	682,097	668,890	580,600	361,472
Short sales	Aug. 11	80,310	98,300	115,220	75,580
Other sales	Aug. 11	753,466	681,081	682,369	398,810
Total sales	Aug. 11	833,776	779,381	797,589	474,390
Total round-lot transactions for account of members—					
Total purchases	Aug. 11	2,662,427	2,576,130	2,449,230	1,806,012
Short sales	Aug. 11	380,010	414,020	439,180	273,380
Other sales	Aug. 11	2,460,806	2,270,511	2,383,959	1,630,480
Total sales	Aug. 11	2,840,816	2,684,531	2,823,139	1,903,860
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Aug. 28	114.6	114.6	114.2	110.5
Farm products	Aug. 28	88.7	88.9	90.5	87.9
Processed foods	Aug. 28	103.3	103.0	102.9	101.0
Meats	Aug. 28	85.8	84.3	83.7	82.7
All commodities other than farm and foods	Aug. 28	122.3	122.3	121.5	117.1

*Revised figure. ¶Includes 945,000 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 125,828,319 tons. †Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—For month of June:			
Total gas (M therms)	4,886,290	5,743,178	4,441,780
Natural gas sales (M therms)	4,648,865	5,440,902	4,218,474
Manufactured gas sales (M therms)	19,134	24,902	28,045
Mixed gas sales (M therms)	218,291	277,374	195,261
AMERICAN PETROLEUM INSTITUTE—Month of June:			
Total domestic production (barrels of 42 gallons each)	235,823,000	242,583,000	218,596,000
Domestic crude oil output (barrels)	212,997,000	218,976,000	198,389,000
Natural gasoline output (barrels)	22,773,000	23,554,000	20,167,000
Benzol output (barrels)	53,000	53,000	40,000
Crude oil imports (barrels)	29,606,000	29,074,000	22,934,000
Refined products imports (barrels)	13,159,000	14,825,000	11,840,000
Indicated consumption domestic and export (barrels)	262,235,000	266,706,000	251,722,000
Increase all stocks (barrels)	16,353,000	19,776,000	1,648,000
AMERICAN RAILWAY CAR INSTITUTE—Month of July:			
Orders for new freight cars	2,642	2,859	18,007
New freight cars delivered	5,344	5,550	2,192
ASSOCIATION OF AMERICAN RAILROADS—Month of July:			
Locomotive units installed in service	120	124	71
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of August (000's omitted):			
Total U. S. construction	$1,828,462	$1,835,418	$1,684,163
Private construction	1,144,187	1,103,598	1,026,477
Public construction	684,275	731,820	657,686
State and municipal	605,380	525,396	445,667
Federal	78,895	206,424	212,019
COAL OUTPUT (BUREAU OF MINES)—Month of July:			
Bituminous coal and lignite (net tons)	30,300,000	39,605,000	*36,512,000
Pennsylvania anthracite (net tons)	1,860,000	2,442,000	1,856,000
COKE (BUREAU OF MINES)—Month of June:			
Production (net tons)	6,310,121	6,725,396	6,162,000
Oven coke (net tons)	6,093,529	6,467,080	6,008,500
Beehive coke (net tons)	216,592	258,316	153,500
Oven coke stock at end of month (net tons)	2,000,938	1,888,408	2,187,637
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Consumed month of July	549,520	812,330	565,834
In consuming establishments as of July 31	902,890	1,151,929	1,400,614
In public storage as of July 31	12,845,734	13,213,888	9,584,742
Linters—Consumed month of July	133,970	138,189	137,411
Stocks July 31	909,187	1,094,790	1,475,725
Cotton spindles active as of July 31	19,022,000	18,554,000	19,147,000
COTTON GINNING (DEPT. OF COMMERCE)—			
As of Aug. 16 (running bales)	710,782	------	625,976
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on July 31	21,897,000	21,934,000	22,247,000
Spinning spindles active on July 31	19,022,000	18,954,000	19,147,000
Active spindle hours (000's omitted) July 31	7,128,000	10,664,000	7,546,000
Active spindle hours per spindle in place July	356.4	426.5	397.2
DEPARTMENT STORE SALES—SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF NEW YORK—1947-49 Average=100—Month of July:			
Sales (average monthly), unadjusted	82	113	76
Sales (average daily), unadjusted	83	111	78
Sales (average daily), seasonally adjusted	116	115	108
Stocks, unadjusted	115	*119	106
Stocks, seasonally adjusted	127	126	*116
EDISON ELECTRIC INSTITUTE—			
Kilowatt-hour sales to ultimate consumers—Month of May (000's omitted)	42,758,421	43,097,449	38,234,562
Revenue from ultimate customers—month of May	$697,745,000	$703,854,000	$638,147,000
Number of ultimate customers at May 31	53,081,466	52,936,737	51,711,855
LIFE INSURANCE PURCHASERS—INSTITUTE OF LIFE INSURANCE — Month of June (000's omitted):			
Ordinary	$2,891,000	$2,948,000	$2,737,000
Industrial	538,000	581,000	545,000
Group	915,000	1,014,000	713,000
Total	$4,344,000	$4,543,000	$3,995,000
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOTIVE MANUFACTURERS' ASSN.—Month of July:			
Total number of vehicles	522,123	538,052	768,621
Number of passenger cars	440,980	445,758	658,736
Number of motor trucks	80,836	91,791	109,589
Number of buses	307	503	296
NEW YORK STOCK EXCHANGE—As of July 31 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$2,842,615	$2,819,641	$2,779,837
Credit extended to customers	30,541	33,934	45,343
Cash on hand and in banks in U. S.	342,183	329,774	336,146
Total of customers' free credit balances	858,453	836,137	913,110
Market value of listed shares	229,422,844	218,579,189	198,227,782
Market value of listed bonds	103,137,335	104,288,895	104,002,294
Member borrowings on U. S. Govt. issues	49,569	65,834	161,800
Member borrowings on other collateral	2,389,803	2,390,691	2,192,172
PORTLAND CEMENT (BUREAU OF MINES)—Month of May:			
Production (barrels)	29,606,000	26,134,000	27,031,000
Shipments from mills (barrels)	31,787,000	27,087,000	29,172,000
Stocks (at end of month—barrels)	26,198,000	28,678,000	23,672,000
Capacity used (per cent)	110	100	108
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of May:			
Net railway operating income	$102,472,451	$94,159,390	$101,460,171
Other income	22,474,067	18,902,599	24,571,388
Total income	124,946,518	113,061,989	126,031,559
Miscellaneous deductions from income	4,426,354	4,708,201	4,035,701
Income available for fixed charges	120,520,164	108,353,788	121,995,858
Income after fixed charges	90,039,694	77,808,903	90,807,112
Other deductions	4,196,087	4,118,719	4,191,870
Net income	85,843,607	73,690,184	86,615,242
Depreciation (way & structure & equipment)	45,644,323	45,351,346	44,283,554
Federal income taxes	38,458,890	32,205,730	38,008,130
Dividend appropriations:			
On common stock	52,186,047	25,732,922	34,772,732
On preferred stock	4,564,299	956,514	5,745,222
Ratio of income to fixed charges	3.95	3.55	3.91

The Farm Sector's Prospects

Well-known agricultural authority avers "the outlook for the national economy justifies an attitude of conservative watchful optimism." Attributes part of farmers' plight to unbalanced farm production and over-production. Dean Myers compares moderately favorable non-basic crop outlook with unfavorable one for cotton, wheat, tobacco and rice. Concludes, nevertheless, that it is much safer to lend to a good farmer now than it was a few years ago.

Construction, speculation and prices are the three things to watch in the present prosperous period, New York State bankers participating in an agricultural seminar on the Cornell campus were told in Ithaca, Aug. 20.

W. I. Myers

Dean W. I. Myers of the New York State College of Agriculture told the 75 "graduate bankers" that 1956 will mark the eighth year of building more than one million new houses. Some decline is probable in the next few years, but no severe drop is in sight, he said. Industrial and public construction continues high, and national security expenditures are rising.

The speculative boom has been kept in fairly good control so far by the Federal Reserve and Treasury with the cooperation of business men, the Dean said. In the six years 1950-55, net public and private debt increased 45%, from $450 billion to $650 billion. This is still reasonable in relation to assets and income, but there is danger of deterioration in quality of credit or more speculative borrowing. Debt expansion, he cautioned, cannot continue indefinitely at present rates. "We must restrain booms to avoid busts, which requires careful watching, judgment, and courage."

Conservative Watchful Optimism

Prices of basic commodities, though sharply down from the peak of the Korean boom, have since been fairly stable around the levels of 1950, the bankers were told. Farm products have ended their decline, and prices of industrial raw materials are strong. So far the record is fairly good.

"In view of all the factors, the outlook for the national economy justifies an attitude of conservative watchful optimism."

With a series of charts, the Cornell Dean, who is also Chairman of the National Agricultural Advisory Committee for Secretary Benson, next explained what's been happening in agriculture in the U. S. the past few years. Per capita income of farm people from all sources declined 9% ($977 in 1948 to $881 in 1955), he pointed out. Per capita income of non-farm population has continued to rise, to $1,935, last year.

The Farmers' Situation

One reason why many farmers have changed to better jobs, the speaker indicated, is the difference in annual returns. Though living costs differ, the average annual wage of the factory worker in 1955 was $3,979, compared with the average net income of $2,336 for the farm operator. In other words, from 1948 to 1955 the net income per farm operator declined 23%, while the average annual wage of the factory worker increased 34%. Moreover, the farm operator's wage represents compensation for family labor, management and risk as well as interest on owned capital.

Dean Myers said the present price-cost squeeze is severe but not disastrous. It has affected all regions but has hit hardest the marginal operators and farmers with heavy debts. Farmers are not happy, and discontent has been increased by the over-pessimism of professional sympathizers.

"Our troubles are partly due to unbalanced farm production and partly to over-production. The total farm output in 1955 is about 4 or 5% more than can be disposed of at current prices. The most spectacular problem, of course, is government holdings, and we cannot reduce total farm output quickly except by drought or other disaster."

Outlook for Different Crops

The Cornell Dean said the outlook for producers of cotton, wheat, tobacco, and rice is not encouraging because they are faced with acreage restrictions and lower prices. The outlook for producers of "non-basic" crops—most of agriculture—is moderately favorable because there are no large government stocks and demand is high. Agriculture as well as industry has been going through a rolling readjustment, and farmers still have their problems with hog, poultry, and cattle cycles. These can be less serious if the general price level is stable or improves.

Reasonably satisfactory prices for poultrymen, and short fruit crops with relatively good prices for fruit were also mentioned in the outlook for farmers. Returns to potato growers will depend mainly on the size of crop.

The Dean of the New York State College of Agriculture emphasized that farmers will have to give careful attention to farm business management in order to compete successfully. The more intensive Extension Service program in farm and home management is especially timely and important in meeting these needs, he said. Extension work with major enterprises will be continued, but greater emphasis will be given to the farm as a business unit. This program has the dual objective to raise net income by reducing costs and increasing efficiency, and to use these net incomes wisely for family living and future security.

Safe to Lend

"These are times," Dean Myers told the bankers, "when good farmers need and appreciate a dependable source of credit to finance their operations. It is much safer now to lend to a good farmer than it was a few years ago." He also pointed out that the successful country banker today requires knowledge of farm management to make loans safely.

FHLB Notes on Market

Public offering of $197,000,000 Federal Home Loan Banks 3.80% series E-1957 consolidated non-callable notes, dated Sept. 17, 1956 and due March 15, 1957, is being made today (Sept. 6) by the Federal Home Loan Bank Board through Everett Smith, fiscal agent of the banks, and a nation-wide group of securities dealers. The notes are priced at 100%.

Proceeds from the offering will be used to redeem $150,000,000 of series H-1956 notes which mature on Sept. 17, 1956, and to provide funds for making additional credit available by the Federal Home Loan Banks to their member institutions.

Upon completion of today's offering of notes and the retirement of the issue due on Sept. 17, outstanding note obligations of the banks will total $918,000,000.

Midwest Exchange Member

CHICAGO, Ill. — The Executive Committee of Midwest Stock Exchange has elected to Exchange membership Daniel J. Cullen, Walston & Co., Inc., San Francisco, California.

With Samuel B. Franklin

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — David W. Schlegel has been added to the staff of Samuel B. Franklin & Company, 215 West Seventh St.

Two With B. C. Morton

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Curtis R. Lund and John E. Mouser have joined the staff of B. C. Morton & Co., Russ Building.

Walter Gorey Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Austin F. Roberts is now connected with Walter C. Gorey Co., Russ Building.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—In revising its budget estimates for fiscal 1957 or the current year, the Administration has confirmed the prediction made a few weeks ago that actual Federal spending, for the first peace-time year in the history of the United States, will exceed $70 billion.

To be sure the official or "budget" expenditures as now estimated will run to a little less than $69.1 billion. However, under the new multi-billion-dollar Federal aid highway program, both $1.5 billion of certain excises on fuel and automotive products and the amount spent on highways are excluded from the budget and made "trust account" operations.

Curiously, the Administration does not appear to give a new and current estimate of highway expenditures, but does admit that for the present year they "will be substantially higher than the actual 1956 budget expenditures of $740 million." In other words, they should conservatively total $1 billion and can logically be much higher.

Add $1 billion of highway expenditures to the "budget" spending of $69.1 billion, and this brings Federal spending to in excess of $70 billion. The fact that the highway spending is called "trust account" money does not deprive this spending of its 100% Federal character, for the money will come from the same place, the taxpayer, and go out from the same place, the Treasury, as any other piddling little billion-dollar item.

Compares With 1953

As the Administration now puts it, its "net" economy in Federal spending for fiscal 1957 as compared with fiscal 1953, "a Truman year," is $5.2 billion. However, during fiscal 1953 there was a war in progress whose rate of spending, even if it was only a "police action," rivaled the outpouring of funds for World War I. What this amounts to is that despite a cut of $10 billion in all national security spending from 1953 to 1957, non-security or civilian spending has risen by a sum which cancels about half this sum. "Peace with honor" in Korea made possible a $10 billion cut in security spending; now the Administration has worked its way back through half this reduction in rate of spending.

There are other interesting signs of the virility of the spending drive in the Federal fiscal picture.

In fiscal 1953, Federal spending on agriculture amounted to $2,936 million, using the Eisenhower Administration figures for all years in question. This year they will not quite double the fiscal 1953 total, reaching $5,744 million.

Veterans services and benefits, which in 1953 cost not quite $4.3 billion, this year will exceed $4.8 billion.

Spending which the Administration classifies as "labor and welfare" cost $2,426 million in 1953, but will cost $3,001 million this year.

"General government" expenditures represent a residual category or basket into which both the Truman Administration in the past and the Eisenhower Administration at present throw any spending they cannot explain off by putting into some other category. This rose from $1,474 million in 1953 to $2,093 million in 1957.

Rises $4 Billion

Between January, 1956, when the Administration first made estimates of Federal expenditures for the current year, and last Aug. 28, when it revised these estimates, estimated spending rose by more than $4 billion. Yet the revision was made with only about two months of 1957 fiscal year figures firmly in the hands of the estimators.

The question arises as to how firm the new spending estimates are likely to be in relation to the actual performance for fiscal 1957.

Just one year ago in August, 1955, the Budget Bureau and the Treasury put out their revision of the January, 1955, estimates for fiscal 1956. At that time they estimated fiscal 1956 spending at $63.8 billion. The July 19 statement of this year placed the actual spending at $66.4 billion.

In other words, in their comparable estimate of a year ago the Administration's officials fell just $2.6 billion short of the actual figures. They underestimated by that much.

If their record for fiscal 1957 is the same—and the Administration has now become notorious for underestimates — then to the Aug. 28, 1956, estimate for fiscal 1957 of $69.1 billion of budget expenditures would be added $2.6 billion, which would bring admitted budget expenditures for the current year to $71.7 billion.

In fiscal 1953, the "last Truman year" the government, with the Korean war on, spent $74.3 billion. However, the 1953 expenditures, in a true Federal outlay, included highway funds for that year, and the new 1957 estimates do not. If these amounted to only $1 billion, and they probably will amount to more, a conservative comparison will place 1957 spending at $71.7 billion plus $1 billion, or $72.7 billion. This would bring Eisenhower Administration spending in the current year to $72.7 billion or $1.6 billion less than the fiscal 1953 with the Korean War on.

Estimates Appear Low

As a matter of fact, except in one outstanding respect, the new 1957 estimates appear to informed observers to be extremely low. The exception is with respect to farm benefits. Hitherto the Eisenhower Administration has pretended in its budget estimates that because it had the form of flexible farm price supports, it had the substance, and refused to admit that with lower prices, farm price supports were in fact more costly.

However, this time the Administration candidly admits that in this field it is not saving money. "Budget expenditures for agricultural programs in the fiscal year 1957 are now estimated to be $830 million more than in 1956. This is a net increase resulting from (1) a rise of about $1.0 billion for the new soil bank program, (2) a decline of about $320 million for the regular Commodity Credit Corporation price support and commodity purchase program, and (3) an increase of $150 million for all other agricultural activities of the Government."

This is not to predict that the Administration's estimate of $5,744 million for farm benefits and subsidies for this year is in fact accurate. It is only a report that they are not grievously underestimated as in the past.

Military Spending Low

In the face of aggregate estimates of $48 billion proposed by the three services of the Defense Department, the latest revision places U. S. Defense Department military spending at only $36 billion for the current year, up only $314 million from actual 1956 outlays.

"Operation and maintenance costs are increasing due to the growing number of complex new weapons and techniques," stated the budget review. "Despite savings from improved efficiency, these costs can be expected to continue rising as more modern equipment is placed in the hands of our military forces."

In fact Defense Department military spending is thought by impartial observers to be likely to rise by $2 to $3 billion, and account alone for a disparity between these figures of the August estimate compared with the final outturn, on a magnitude comparable with the disparity of August, 1955, estimates with the final 1956 outturn.

Appropriations Picture

In relation to the appropriations passed by Congress, the 1957 estimate of expenditures suggest an unrealistic conservatism. Appropriations passed by Congress for the 1957 fiscal year, plus anticipated deficiency requests, will aggregate $69,273 million, compared with $66,780 million actually voted for fiscal 1956. In other words, appropriations will exceed slightly estimated expenditures of just less than $69.1 billion.

These new and anticipated appropriations are on top of or in addition to the some $40 billion plus of "backlog" or past unspent appropriations, as Senator Harry F. Byrd (D., Va.), has pointed out.

Revenue Picture

Daily newspaper reports of the budget revision have stressed, as the Administration has stressed, a prospective budget surplus of $700 million for the current fiscal year.

The story of the budget revision is that (1) Federal expenditures are sharply on the rise, (2) that it is anticipated that the current boiling boom will bring in slightly more revenues than expenditures.

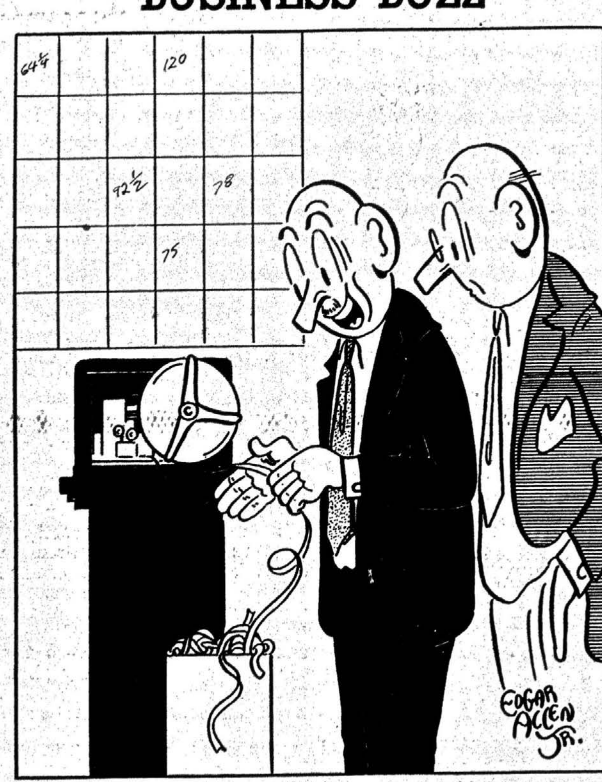
It is apparent, however, that there is no serious attempt being made to restrain expenditures. The most the Administration promises is that: "We will continue to exert every effort, as we have in the past, to improve the efficiency of operations, and obtain a full dollar of value for every dollar spent by every department of the Government."

Boom's Prisoner

In brief, the fiscal policy of the Administration has become the prisoner of the boom. The Administration is going ahead countenancing a regular and large rise in spending on the premise that the boom will bring in a sufficiently enlarging flow of revenues to offset the sins of extravagance.

[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



"37—22—36—Reminds me of my wife about thirty-five years ago!"

Business Man's Bookshelf

Dynamics of Capitalism, The — Julius T. Wendzel — Harper & Brothers, 49 East 33rd Street, New York 16, N. Y (cloth) $3.50.

Effect of the New Tax Depreciation Methods on the Earnings Terborgh — Machinery and Allied Products Institute, 1200 Eighteenth Street, N. W. Washington 6, D. C. (paper) $1 (quantity prices on request).

Fact Finder From Electric Companies Public Information Program — 1956 — Electric Companies Public Information Program, 2 West 45th Street, New York 36, N. Y. (paper) $5.

Federal Reserve Operations in the Money and Government Securities Markets—Robert V. Roosa—Federal Reserve Bank of New York — Publication Division, Federal Reserve Bank of New York, New York 45, N. Y. (paper) no charge.

Foreign Exchange Regulations in Great Britain—Supplement 12—Bank for International Settlements, Basle, Switzerland (paper) 2.50 Swiss francs (complete compilation 90 Swiss francs).

Life Insuraance Stocks as Investments—Sidney S. Ross—Sidney S. Ross Company, 3070 Hull Avenue, New York 67, N. Y. (paper), $1.50.

Metropolitan Transportation Problem—Wilfred Owen—The Brooking Institution, 722 Jackson Place, N. W., Washington 6, D. C. (cloth) $4.50.

Profit-Sharing — A Suggested Reading List for Businessmen with a comprehensive Bibliography—J. J. Jehring—Profit Sharing Research Foundation, 1718 Sherman Ave., Evanston, Ill. (paper) 50 cents.

Regulations Relating to Foreign Funds Control in the United States — Supplement 13 — Bank for International Settlements, Basle, Switzerland (paper).

Social Aspects of Retirement—Otto Pollack—Richard D. Irwin, Inc., Homewood, Ill. (paper) $1.25.