# The COMMERCIAL and FINANCIAL CHRONICLE

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EDITORIAL

## As We See It

A dozen or so years ago he would have been laughed to scorn who suggested that within a relatively short span of years a gathering such as that which regularly attends the annual meetings of the International Monetary Fund and World Bank would concern itself chiefly, not with how to redistribute the world's gold or somehow get the dollar down within reach of the ordinary country of the world but why the dollar has reached so precarious a position and how that situation can best be remedied. Yet that subject dominated the discussions of these authorities and near-authorities in Washington the other day as indeed it did a year ago. Of course, hardly a tithe—aside from the formal discussions, of course—of what is said at these gatherings is permitted to reach the ears of the public, but there is all too much reason to doubt whether anything that was said or suggested at this gathering will result in any real progress in clearing up the mess. Even if sound ideas had evolved, it is little less than certain that they would not be accepted in Washington.

Yet in broad outline the basic nature of present difficulties is clear enough. In the first place, let it be clearly recalled that the situation as it existed a quarter of a century ago was itself definitely abnormal. It was abnormal by reason of the effects of a devastating world war and also by reason of the dabbling of governments which neither understood such affairs nor feared to step in where angels feared to tread. Another even more devastating world war later left its impress upon affairs already in a mess, and the tinkerers who sought to right the situation made matters worse not better. The nature of the current difficulties has changed drastically but, they, too, owe existence to poorly *(Continued on page 29)*

## The Role of Municipal Bonds in The Portfolio of a Country Bank

*By* Robert S. Damerjian, *Lecturer in Finance, Temple University, Philadelphia, Pa., and Former Correspondent Banking Officer*

**Study on municipals is especially tailored for country banks. Nevertheless, the ABC knowledge arrayed should have an appeal not necessarily confined to smaller banks. Mr. Damerjian's analysis includes how to best fit tax-exempts into a bank's portfolio; cautions liquidity comes ahead of tax free feature and not to use municipals as primary reserves to offset deposit fluctuations; and describes what enters into a rating a tax-exempt and how to select non-rated municipals.**

The recent (1/1/62) change in Regulation "Q" has brought about a renaissance in municipals. This has particularly been true in those instances where time deposits have been a significant percentage of the bank's total deposits. Many country banks today hold from 30% to 85% of their total deposits in the time classification. It is in this area where current thinking must change as there seems no alternative to help compensate for the larger interest item, except municipal bonds. No doubt, the larger country banks (in the 52% bracket) reap the greatest benefits from these debt instruments.

Robert S. Damerjian

Basically, municipals can be described as a debenture bond issued by a State, Municipality, Authority or other political subdivision. The range can be from well known highly rated issues to small unrated issues, outstanding in many cases well under one million dollars. The most secure of these obligations are those which have unlimited taxing power for repayment by the issuer. Other types of obligations include tax anticipation notes, special assessment bonds, limited tax bonds, budget notes, warrants and revenue bonds.

Municipal issues mature over a number of years, unlike corporate debt which usually has a specific maturity. This gives the purchaser who may desire a specific municipal name a way to obtain his desired maturity, if available. Most states and large cities have general obligations outstanding and are traded throughout the country each day. Well over 50% of the municipal securities held by banks are of the latter type. These are well suited for county banks as these obligations require less scrutiny since they are rated and information is readily available.

General market name municipals are those which are well known, outstanding in large amounts, and traded almost every day and generally listed in the daily **Blue List**. Most of these are general obligations. There are however, many small local issues which only because of their size are not rated, but are of high quality, in some instances superior to the general market name bond.

Against this general background, and the fact that county banks have a significant percentage of their deposit structure in time money, what advantages and disadvantages do municipal securities possess and what ratios and other considerations should the banker examine, weigh and study before any aggressive purchasing be consumated.

(1) The return of such securities is tax free, except for capital gains which are taxed as long or short term gains. The taxable equivalent in many cases for banks in *(Continued on page 24)*

## MUNICIPAL CONFERENCE SUPPLEMENT: Section 2





# 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.**

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

**The Times-Mirror Co.**—Edward J. Bourbeau, Partner, Daniel Reeves & Co., Beverly Hills, Calif. (Page 2)

**Scientific-Atlanta, Inc.**—Justus C. Martin, Jr., Partner, Robinson, Humphrey & Co., Atlanta, Ga. (Page 2)

EDWARD J. BOURBEAU

*Partner, Daniel Reeves & Company, Beverly Hills, California*

**The Times-Mirror Company**

The story of Southern California's growth from a distant outpost to the nation's second largest trading market is too well known to require elaboration.

Suffice it to say that the modern miracle that turned an arid semi-desert region into a metropolitan area of seven million people resulted largely from an indomitable spirit. Instrumental in instilling this spirit into each succeeding population wave have been the Los Angeles *Times* newspaper and the Otis and Chandler families which have led the Times-Mirror Company since 1886. The company's earliest venture was the Mirror printing house; hence the corporate name.

The public-spirited Chandlers have spearheaded the fight for adequate water, harbor facilities, industrial development, and cultural activities. Concurrently, the newspaper has prospered and today is the world's leader in advertising linage and news and feature content and fourth in the nation in circulation.

In late 1959, the Chandlers decided to turn their considerable energies and acumen to building Times-Mirror into a broad-based communications colossus of international proportions. Additional stock was authorized and a diversification team swung into action.

The company's holdings were already extensive at the time of the decision in 1959. Volume that year was $98 million. In addition to The Times and the commercial printing division, the firm owned the Los Angeles *Evening Mirror* newspaper, a Los Angeles independent television station, a two-thirds interest in an Oregon newsprint mill, plus a sizable portfolio of securities, metropolitan real estate and a 15% stock interest in Tejon Ranch Co., a 280,000 acre oil, cattle and farming empire. Some of these investments are vastly understated as they are carried at historical cost and do not reflect what has taken place in Southern California and the stock market over the past generation.

In three years, the tempo of diversification has quickened. Eight new fields of interest have been entered, and operations have spread to ten additional cities. First and still largest of the new subsidiaries is the New American Library of World Literature, Inc., publisher of Signet and Mentor softcover books and second largest American firm of its kind. Subsequently, it has set up subsidiaries in London and Toronto to serve the international markets.

Other new subsidiaries include the H. M. Gousha Company of San Jose and Chicago, one of the nation's two largest road map publishers and Jeppesen & Co. of Denver and Frankfurt, Germany, a one-of-its-kind firm which publishes most of the aeronautical charts and flight information manuals used by U. S. military and commercial pilots.

Others are the Times-Mirror-Triangle Company, a joint venture with Philadelphia's Triangle Publications which operates a Los Angeles rotogravure printing plant, Cardoza Bookbinding Company of San Francisco, largest bookbindery west of the Mississippi which specializes in textbooks; Orange Coast Publishing Company, publishers of the Orange Coast Pilot newspaper in Los Angeles' booming sister county of Orange; Tillamook Lumber Co., a lumber mill providing a link between the newsprint subsidiary's timberlands and paper mill; and Atherton Real Estate Corporation which owns and leases out four shopping centers in the East and South.

In January, according to a recent agreement, Matthew Bender & Company of Albany, New York, and San Francisco, the nation's third largest law book publisher, will become the newest subsidiary.

So the outline of a new communications giant is beginning to take form.

Meanwhile, Times-Mirror's management has been taking action to strengthen the older operating units such as upgrading the quality of newspaper coverage and press facilities, continual modernization of the paper mill, a new 270,000 sq. ft. plant for the commercial printing division, and imaginative programming and operating efficiencies for the television station.

Volume has moved up from $98 million in 1959 to $112 million in 1960, $126 million in 1961 and an estimated $140 million in 1962. Earnings in 1961 were $5.5 million, or $1.30 a share. This was a per share increase of about 18% over 1960 net of $4.6 million, equal to $1.10 a share.

Cash flow (earnings plus depreciation, depletion and amortization) is heavy and has been trending upward from $8.5 million or $1.89 a share in 1960 to just in excess of $10 million, or $2.22 a share in 1961.

Early in January, 1962, after a 14 year trial, the company discontinued publication of the afternoon *Mirror* by consolidating it with *The Times*. The only metropolitan daily started in the nation after World War II had never achieved profitable operations. Costs associated with the consolidation nearly wiped out 1962's first quarter earnings. However, profits came on with a rush in the second reporting period to equal 50 cents a share. I estimate 1962 net at $1.50 or 15% better than 1961. While this places the price-earnings ratio at about 20 on a current price of around 30, it must be remembered that the current annual earnings *rate* is estimated at about $2 a share, thereby reducing the P/E to 15. On a cash flow basis, the stock is even more attractive.

While the company is primarily expansion-minded, it does pay a modest dividend of 50 cents a share annually and has paid 2 to 4% in stock for the past three years.

The company is traded in the Over-the-Counter Market, but is understood to meet the listing requirements of the New York Stock Exchange. The odds seem good that it will make this move in the not-too-distant future.

Considerable strength in the policy-making and planning function is provided by an impressive board of directors which includes such nationally-known figures as Charles B. Thornton, Chairman of Litton Industries; Thomas V. Jones, President of Northrop; Frank L. King, Chairman of United California Bank; Don G. Mitchell, Chairman of the Executive Committee of General Telephone and Harry J. Volk, President of Los Angeles' Union Bank.

Frequent contact with the management gives me the overwhelming impression that they are just beginning on their vigorous expansion era. Similar to an investment company, the purchase of Times-Mirror shares provides the advantages of industrial and geographical diversification. Unlike an investment company, these businesses operate with integrated management. The stock appears attractively priced for a quality long-term holding for both individuals and institutions.

JUSTUS C. MARTIN, JR.

*Partner, Robinson, Humphrey & Co., Atlanta, Ga.*
*Members New York Stock Exchange*

**Scientific-Atlanta, Inc.**

Ten years ago six members of the Georgia Institute of Technology Experiment Station started Scientific-Atlanta with capital of $600. Their initial effort was toward the development and manufacture of special microwave antennas. The first major contract was for a rapid scanning radar antenna for the U. S. Navy under a subcontract from Yale University. From this humble beginning Scientific-Atlanta has grown into the leader in the field of antenna instrumentation. This field is expanding rapidly as the importance of antennas in the areas of space exploration, surveillance, military and civilian communications became evident. The majority of the antennas in all missiles, satellites and rockets and the antennas used in tracking these have been and are being designed and tested with Scientific-Atlanta's equipment. Today Scientific-Atlanta claims to be the leading specialist in antenna instrumentation, furnishing well over three-quarters of the instruments used in this field.

The essential ingredient in management's success up to the current time has been an ability to develop, on a profitable basis, a standard product line of electronic test instrumentation which had previously been assembled by users on a "hit or miss" basis. The major portion of this instrumentation is concerned with testing of the many various types of scientific antennas now in existence, with regard to their actual functioning patterns and other related aspects of equipment design. Rapidly growing markets for this type of equipment are presently to be found in connection with the hundreds of different types of antennas used in such areas as missile tracking, satellite communications, radio astronomy, microwave relay, aircraft communications, weather and airport surveillance radar.

Reflecting the dynamic nature of these markets as they presently exist, corporate sales and earnings have shown a remarkable pattern of growth since the company began to report its operations publicly in 1955. Over a seven-year period sales have increased from slightly less than $42,000 to 3.1 million in the fiscal year ended June 30, 1962 while net profit has increased from $2,000 in 1955 to $181,000 in 1962. Both sales and earnings showed an increase of

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*(This is under no circumstances to be construed as an offer to sell, or as a solicitation of an offer to buy, any security referred to herein.)*

# Investors Should Not Be Misled by Today's Gloom

*By Leonard Coe Scruggs, Senior Analyst, Dewar, Robertson & Pancoast, San Antonio, Texas, Members New York Stock Exchange*

**Forecast of a troublesome present and an unusually bullish longer-run economic and stock market trends is fortified with suggested areas for investment for both periods. The Texas analyst anticipates new DJIA lows by a small margin later this year or early next year and a waning of the bear market where everything goes down together. The intermediate term is expected to be affected by vicious selectivity and an overall 495-700 DJIA trading range masking some dramatic changes. The investor is advised: (1) to keep a 25-35% portfolio buying reserve; (2) to put the balance in those groups that are most depressed and offer the greatest boom potentialities; (3) to utilize rallies to dispose of overvalued growth stocks; and (4) to not become too disgruntled since the "long-term future is too promising, too close," and not to sell America short.**

From a long term point of view, it is difficult to be other than enthusiastically bullish for the stock market and particularly for cyclical and heavy industrial issues. Barring a major and unforeseen misadventure, the American Economy, after years of no material forward progress, is today on the threshold of a great boom.

Leonard Coe Scruggs

Since 1956, the Economy has been in a state of high level stagnation. From 1946 through 1956, the Gross National Product (measured in constant dollars) grew at a rate of 4% per annum. After 1956, the rate of growth has been only slightly in excess of 2%. The immediate reason for this 50% decline is the disappearance of buoyancy in the durable goods sector of the private economy (from 1946 through 1956, private spending for durable goods increased at an average rate of 5% per annum; in contrast, the rate of increase has been less than 1% per annum since 1956). In recent years, the little growth that we have had has been almost entirely due to the continuing expansion of the consumer non-durables and services, and to the more or less steady increase in government spending.

### Basis of Sluggishness

The sluggishness in producer and consumer durable goods since 1956 can be primarily attributed to three factors: (1) the capital goods boom of the mid-1950's and the tremendous burden of surplus capacity it created; (2) the exhaustion in the mid-1950's of the backlog of effective demand for consumer durables built up during the War, and (3) the sharp decline in the rate of family formation consequent to the low birth rates of the 1930's (family formations have declined from an annual high of over 1.5 mil. in 1949 to under 0.7 mil. last year).

Had it not been for the profound structural changes made in the Economy during the last 30 years (the "automatic stabilizers", the large defense budget, etc.) it is likely that this constellation of fundamental depressants would have precipitated a major slump. Instead, however, we have gotten off lightly with only two short recessions (1957-8 and 1960-1) and two abortive recoveries (1958-60 and 1961-62). And more to the point, regardless of whether or not yet another recession is in the works, the end of this convalescence is in sight.

By 1965, perhaps even 1964, and certainly no later than 1966, the three fundamental depressants outlined above will have been cured. First, by 1965 the utilization of our industrial plant, due to the attrition of surplus capacity by increments in consumption, will be approaching the 90% level which in the past has always precipitated a new round of capital goods expansion (capacity utilization rates in recent years have been as follows: 1955-92%, 1956-86%, 1957-78%, 1958-74%, 1959-79%, 1960-77%, 1961-83%, 1962-85% currently). Second, by 1965, private saving, which in recent years has tended to grow faster than disposable income, will have restored consumer liquidity, thus setting the stage for a strong upsurge in consumer durables. Third, by 1965, family formations, in response to the high birth rates of the War and early postwar years will be in a strong upward movement that promises to extend into the early 1970's (family formations should rise to 0.9 mil. by 1965 and to 1.25 mil. by 1970). As a consequence, a growth rate of 4-5% per annum in the GNP can be reasonably expected in the second half of this decade.

### Favorable Factors

Reinforcing the basic improvements now under way in business fundamentals are a number of other factors, some fairly new, some longstanding and most of

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Thursday, September 27, 1962

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### MORE ARTICLES IN SECTION TWO

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### Regular Features



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# A Guide to Bond Refunding By the Utility Industry

*By* Eugene S. Merrill, *Financial Vice-President, Stone & Webster Service Corp., Management Consulting Subsidiary of Stone & Webster, Inc., New York City*

**When does it pay to refund a bond issue? Mr. Merrill rejects as inadequate the classic bond yield approach. He favorably describes the equity return approach as affording a more precise guide in determining the feasibility of refunding providing other important considerations he describes are taken into account. Such considerations discussed include the present hazard of an adverse price movement in the bond market; merits of combining a refunding with a new capital financing; and the advantages of private placement to eliminate the time risk. Mr. Merrill outlines the steps which should be taken in computing the interest reduction required to maximize the desired equity return, and he supplies a refunding guide table for illustration purposes. Conclusion emphasizes need to create interest savings sufficient to amortize the investment and to provide the "desired equity return" with a higher equity return sought for a public offering than for a private placement.**

The spread between current costs of long-term bond financing and the costs on many issues sold during the tight money conditions that prevailed in 1957 and in 1959 and 1960 became sufficiently wide at times during 1962 so that the question of refunding again confronted some utility companies. While there may be secondary purposes in a refunding operation, such as eliminating restrictive indenture features or lessening sinking fund requirements, the primary purpose is always to reduce interest charges. And the question to be answered is always: At what coupon rate will the interest savings be sufficient to justify the dollar investment required to call the old issue?

Eugene S. Merrill

### The Classic Approach

The classic approach in attempting to answer this question has been what may be termed the bond yield approach. Under this approach, the yield to maturity of the outstanding issue at principal amount plus the cost of call is determined. This yield in effect measures the return that an investment in the old issue would afford at the call cost and is often referred to as the break-even point.

To illustrate, let it be assumed that the dollar cost to call a $10 million, 5½% bond issue with a remaining life of 25 years and a redemption price of 105 is as follows:

| | |
|---|---|
| Redeem $10 Million Bonds at 105% | $10,500,000 |
| Duplicate Interest During Call Period | 46,000 |
| Redemption Amount | $10,546,000 |
| Cost of Call | $ 546,000 |

Redemption of the outstanding issue will require an investment of $10,546,000, or of 105.46 expressed as a percent of principal amount. Reference to the bond yield table will show that the yield for a 25-year, 5½% bond sold at 105.46 is 5.11%. If a new bond were sold on a 5.11% basis, the annual interest charges on the $10 million issue would be $511,000, as compared with $550,000 on the old 5½% bond issue, an annual savings of $39,000. These annual savings of $39,000 will amortize the $546,000 over 25 years and provide a return of 5.11% each year on the unamortized balance of the cost of calling the bonds. In other words, the classic bond yield approach to the question of bond refunding merely determines the rate for the new bond at which the interest savings will be sufficient to provide a *bond yield* return on the dollar investment required to call the old issue and to amortize this dollar cost of call over the remaining life of the old issue.

The cost of call of $546,000 and the annual interest savings of $39,000 have both been computed without reference to the effect of income taxes. Actually, the cost of call is tax deductible in the year of call, and the annual interest savings are subject to income tax each year. Hence, with a constant tax rate, the tax effect on cost of call and the tax effect on the interest savings offset each other so that the interest savings at the break-even yield as determined do, in fact, amortize the investment in cost of call and provide an annual return of 5.11% on the unamortized balance each year.

### Terms Approach Unsatisfactory

This method has never been a satisfactory approach to the problem of whether or not to call an outstanding issue. Its basic fallacy lies in the assumption that an investment in a bond refunding which produces interest savings providing only a bond yield return is a break-even investment. This fallacy is recognized by those who have used this method in the past: they never fix the break-even yield as the point at which to refund but always a yield considerably lower. It is always recognized that there must be additional savings beyond those provided by the "break-even" yield to make the call worthwhile.

Furthermore, in any refunding operation, there is always a time hazard—the period required to consummate the sale of the new bonds. In this period, while costs accumulate, there is always the danger of the bond market moving adversely. So even with the "break-even" point determined under the classic approach, the question remains open as to how much lower the cost of the new money must be to provide sufficient additional savings and to compensate for the time hazard.

### Cost of Call Is an Equity Investment

The calling of a bond before maturity entails an outlay of additional capital, capital which otherwise would not be spent. In order to justify this outlay of capital, the interest savings resulting from the refunding must provide an adequate return on this investment. In considering the adequacy of the return, it is important to recognize the nature of the investment required in calling a bond before maturity. An investment for refunding differs from an investment made in property.

The dollar cost of calling a bond issue before maturity represents an investment by the common stockholders. Whether the cost of call is immediately debited to surplus or whether it is deferred and debited to surplus over a period of years, the cost is always

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# OBSERVATIONS...

BY A. WILFRED MAY

## AIDING GREATER AID

*WASHINGTON* — Attendance at the World Bank - International Monetary Fund annual meeting, and checking with aid administrators here, strikingly reveal continuing expansion in the international granting of credits and other help. This is occurring through both existing agencies and newly contrived devices.

Most significant is it that the philosophy of aid expansion is now being vigorously endorsed in reversal of previous attitudes by (1) the World Bank's officialdom, and (2) Great Britain, in contrast to the confinement of past "laxity" pleas to "dunning" from the underdeveloped have-not nations.

### Switch to Softness

Striking indeed has been the veering to "softness" (onto the side of the angels) by Eugene Black, the out-going President of the World Bank and its affiliates, the International Finance Corporation and the International Development Association ("IDA"). This new generosity posture was first displayed at last year's Bank-Fund meeting in Vienna in September 1961, in Mr. Black's surprising paying of homage to IDA, the a-borning instrument for extending "loans" with a 50-year maturity without any interest (outside of a nominal service charge★).

At this year's meeting Mr. Black again made a specific plea for IDA, warning that having already expended commitments totalling $235 million out of $757 million of usable subscriptions, and rapidly committing the balance, the Agency will go out of business in the absence of replenishing funds by next March.

As will be remembered, throughout the years preceding IDA's taking up its residence in the Bank at its "soft money window," Mr. Black was proud to have won universal acclaim for his unfailing devotion to the *hard-banking* line ("not a penny lost in the billions of sound loans"). Ironically, at IDA's founding in September, 1960 there was much liberal opposition to placing its administration in the hands of the World Bank's Uncle Shylock.

### Official Spillover

Even more interesting is the general spilling-over of the World Bank's new "soft" philosophy to the general Aid area—I revealed at last week's meetings—with a plea for greater multilateralism. Evidencing his whole-hog switching, Mr. Black pled for more aid "different in kind and greater in amount"; for "loans at very long terms"; and for multilateralism among the lenders "to avoid political influence and bad timing."

Such expansionist policy has already "begun at home." The International Finance Corp., the Bank's equity-slanted affiliate over whom Mr. Black has been doubling as President, has arranged to get on the common stock scene via a necessary change in the Institution's charter.

### "Strategic" Family Addition

A cooperative new, and unique addition to the U. N.'s immediate give-away family is its so-called Special Fund. Formed in May, 1959, as a strategic escape from the profligate SUNFED proposal then impending, and directed by Paul Hoffman, former Marshall Plan Administrator, it functions in pre-grant, or loan, investigatory technical service.

$500 million in projects to foster economic and social advance in 71 low-income countries and territories have been approved. Eighty-six Governments contributing through the Fund have provided $210 million of the total, with the recipient countries footing the bill for the remaining $290 million.

The needed money for this Unit's expenditures is secured by contributions that are wholly voluntary. Annually at a Pledging Conference — this year occurring this Friday (Sept. 28)—the various countries indicate their donations; prior to which Mr. Hoffman habitually hosts a "soft sell" luncheon to finance ministers—as this year's held in Washington last Friday.

This year it is hoped to raise

★ cf. *Observations*, Sept. 21, 1961.

$100 million, $40 million of which from the United States.

**JOINING THE LIQUIDITY SCRAMBLE**

Quite surprising, because of its source, is the United Kingdom's full-dress proposal to further liquidity, presented here. Although some key provisions have seemed unclear to observers, from Secretary Dillon and U. S. Treasury Under Secretary and chief expert Robert Roosa down, it may be fairly characterized as having traversed a long way to the Stamp Plan, still being bruited about by Max Stamp, which rests on using the International Monetary Fund as a printing press for the creation of reserves.

The keynote of the scheme was set forth by Exchequer Chancellor Reginald Maudling thus: "I have in mind an arrangement of a multilateral character [Mr. Roosa's proposals are based on bi-lateral operation] under which countries could continue to acquire the currency of another country which was temporarily in surplus in the markets and use it to establish claims on a mutual currency account (which they, themselves, could use when their situation was reversed). These claims would be beneficiaries of the gold guarantee that comes with holdings in the Fund."

**Superfluity**

The public interested in and fastening on the "gold guarantee" privilege, typically is unaware that much of what is being proposed around is already existing or planned—confirming Mr. Roosa's credo of building on what we have. The advance in liquidity which we have already made under his direction, as by way of bilateral mutual currency holdings, is not always appreciated. And it seems to be not too well realized that under its long-existing regulations, Monetary Fund holdings already carry a gold-value guarantee.

Likewise does recent expansion of the Fund's own operations tend to be overlooked. Resulting from negotiations following last year's meeting in Vienna, the I.M.F. is entitled to draw up to $6 billion in the currencies of ten major member countries.

Furthermore, Fund management is fully up to seeking even greater expansion. In this context, Managing Director Per Jacobsson several times during the past week has referred to the need to adapt itself to "changing circumstances, as the large increase in its members, and the resulting need for undertaking manifold new activities."

* * *

**COMPANION AGENCIES**

Powerful and effective in helping on the aid queue over the past two years, is the Agency for Industrial Development ("AID"), sometimes accused of taking care of risks unacceptable to IDA.

The product of merging of existing agencies under the direction of Fowler Hamilton, former New York lawyer, this Agency extends both loans and outright grants, with the former predominating by about four to one. A total of $2.5 billion was so disbursed during the past fiscal year ended on June 30, 1962.

The "loans" carry up to a 40-year maturity, with no interest or other recurrent expense, excepting an annual service charge of three-quarters of one percent beginning after an initial 10-year grace period.

* * *

Other outlets for our largesse will surely continue throughout the world. For example, an additional instrumentality will probably result from plans now brewing for an Inter-African Bank, on the pattern of the Inter-American Development Bank now operating in this hemisphere.

* * *

**Co-Operative Note**

In the face of advance rumors to the contrary, a happy spirit of flexible cooperation with our partners abroad was preserved throughout last week's meetings by Secretary Dillon, as keynoted by the President. Furthermore, in stressing the need for their cooperation, Mr. Dillon was much more frank and objective than on some previous occasions, regarding the status of our domestic economy.

Significantly, answering a question by this writer concerning his appraisal of the importance of financing the deficit outside the commercial banks, he stressed the efforts and achievements made by his administration in this direction.

# Mullaney, Wells Elects Muench

CHICAGO, Ill.—Richard G. Muench has been elected an Assistant Vice-President of Mullaney, Wells & Company, 135 South La Salle Street, members of the Midwest Stock Exchange, Paul L. Mullaney, President, announced. Mr. Muench joined Country Life Insurance Company, now in Bloomington, in 1956 after graduation from Northwestern University where he received a master of business administration degree. He had previously received a bachelor of arts degree from Marquette University. James J. Dunphy, formerly with R. S. Dickson & Company, has been appointed cashier of Mullaney, Wells & Company.



# The Dow Chemical Company

*By Dr. Ira U. Cobleigh, Economist*

**This major chemical, with sales running at an all-time high, appears on the threshold of improved profit margins and net earnings. Besides the common stock, investment in the company's bright future can be made via the convertible 3s of 1982.**

The Dow chemical Company now ranks as fourth largest in its industry, with total revenues for fiscal 1962 (ended May 31, 1962) of $908.5 million. The problem at Dow, in recent years, has not been in building sales (which have more than doubled since 1954) but in converting them into satisfactory net profits. To illustrate, 1962 sales, at $890 million, were 9% higher than the year earlier, yet per share net declined from $2.23 in 1961 to $2.16 this year. Effective development and marketing of new products, and a huge plant investment (over $1 billion) in the last decade have created a revenue uptrend well above the industry average; but a nagging combination of price cutting, over capacity in the industry, rising labor costs, and heavy depreciation charges have, for some time, exerted resolute pressures against any upswing in net earnings.

A change for the better, however, is now discernible. Prices of basic domestic chemicals seemed to have reached a bottom plateau, and foreign chemical prices have advanced recently. Plant efficiency and cost controls are improving; and depreciation charges are slanting downward, permitting a higher distillation of sales dollars into net earnings. Moreover, in several divisions, operations are now at levels nearer to full capacity.

**Product Groups**

The business of Dow is divided among four major product groups. Chemicals generated 49% of 1962 sales revenues, and include basics such as chlorine, ammonia, magnesium hydrochloride, and glycol; and upgraded products such as formulated solvent for the dry cleaning industry; Voranol products, raw materials for coatings and foams; Dowgard coolant for motor cars, and methoxyflurane, a new inhalation anesthetic.

**Plastics**

Dow is a major factor in plastics, and this product division generated 35% of 1962 sales. Individual Dow products include Pelaspan, Stryofoam, Polyfilm, Styron, polyethylene and epoxy resins. These are variously converted into a broad variety of consumer end-products. Saran Wrap, a protective film; Handi Wrap, a widely favored household wrap; insulation and insulated panels and masonry using Styrofoam; packaging including rigid containers and blown-molded bottles; and Saranpac, a transparent vacuum package for prepared meats.

**Bioproducts**

This division (9% of revenues) was established in March of this year, to consolidate Agricultural Chemicals with other major programs in biologically active materials, previously located in other company divisions. Better known products from this department include Ruelene, a new animal health product, N-Serve, for control of soil fertility, Dow Crab Grass Killer, and Ectoral, a pill you give a cat or dog to dispel its ticks or fleas.

Metals based principally on magnesium and aluminum accounted for 7% of 1962 sales. Newest use is in the production of gasoline additives, by a process using a significant quantity of magnesium.

All of these many products are manufactured in a series of plants in the United States and abroad. Increasingly, the total corporate emphasis is on upgrading basic chemicals, and the research, development and marketing of consumer oriented products from them. In this way, profit margins are improved, company earnings stabilized, and less influenced by price swings in raw chemicals—especially petrochemicals, in which Dow is heavily involved. To implement this upgrading program, Dow has gone in heavily for research, spending, for this purpose, in 1962, about 5% of sales ($44½ million). An idea of the creativity of this effort may be gained from the fact that Dow averaged just about one new patent a day!

Dow is also a 50/50 partner in four significant joint ventures: Dow Corning, maker of silicones; Ethyl-Dow gasoline additives; Dow Badische, acrylics; and Dow Smith, maker of plastic pipe. Dow's share of undistributed profit in these ventures was $4.4 million last year. There is also the Dowell Division, an oil well cementing service; and an overseas partnership, Dowell Schlumberger, Ltd., which supplies oil well services in ten foreign countries.

**Overseas**

Dow was an early entrant into foreign markets, and, today, earns about 10% of its profits abroad. It anticipated the formation and growth of the Common Market, and has located a number of its plants in the European Economic Community. Its largest overseas complex will be at Terneuzen in Holland. This diversified plant is expected to enter production in 1964, and to manufacture a broad line of industrial chemicals, intermediates and plastics.

From the foregoing, capsuled review of Dow's operations, you may get some idea of the magnitude and diversity of this sixty-six year old company, which started out producing chemicals from brine. There has been an interesting continuity in corporate management. Leland I. Doan, recently stepped up to Chairman of the Executive Committee, and his son, Herbert D. Doan, forty years old, succeeded him as President. Herbert Doan is a grandson of H. H. Dow, founder of the company.

**Dow Common Stock**

There are 29,120,120 common shares of Dow Chemical listed on NYSE, selling currently at 50. The dividend, increased a year ago, is now $1.60, providing a 3.2% yield. Recent range of the stock has been between a 1962 low of 40 and a 1959 high of 100-⅞. At 50, the shares sell at 20 times indicated 1962 per share net of $2.50. Another way to invest here is via the convertible 3% debentures, due 1982. These now sell at around 118, and are convertible into common at $46.75 per share.

Because of the apparent levelling off of price declines in basic chemicals, an increased percentage of upgraded and end-product chemical output, strategic penetration of foreign markets, a cash flow of around $5.50 per share, prospects for fuller utilization of plant capacity, and ultimate returns on new plant investment, averaging above $100 million annually—because of these, Dow common might well be regarded as an equity of merit, priced at 20 times net. Historically, quality chemical shares have sold at much higher multiples.

# Alpert V.-P. of Goodkind, Neufeld

On Sept. 19, William Alpert was elected a Vice-President of Goodkind, Neufeld & Co., Inc., 711 Fifth Avenue, New York City, members of the New York Stock Exchange.

# Tax-Exempt Bond Market

*BY DONALD D. MACKEY*

State, municipal and other tax free bonds have continued to do well since reporting a week ago. Although the tone has been good and the market firm, it took the new issue volume scheduled for Tuesday and Wednesday of this week to stimulate more than a moderate interest in the market on the part of investors. The Allegheny County, Pennsylvania; Baltimore, Maryland; Detroit, Michigan; Eugene, Oregon; Greensboro, North Carolina; and Puerto Rico issues which were awarded on these eventful days (details are listed later in this report) were sought with such zeal by competing groups as to set in motion another series of mark-up operations that will pervade the entire tax-exempt list, including some of the state secondary offerings that have languished unheeded on dealers' shelves since the last big market push in early May.

### Index Rise Not Full Story

The *Commercial & Financial Chronicle's* yield Index averages out at 3.003% on Sept. 26 against 3.019% a week ago. This represents somewhat less than a quarter point gain. Since this Index is the composite of 13 preselected generally available offerings, it does not reflect the more dynamic market changes frequently expressed through new issue offerings. Secondary market mark-ups generally follow a day or more after the fact of general new issue acceptance if such is the development. The dollar quoted term bond issues are also more immediately sensitive to market influences than are secondary serial bond offerings.

However, in a market such as the present one, where bank demand is the dominant stimulant, even the dollar quoted term bonds lag along with the general run of secondary market offerings and syndicate leftovers, as new issues go relatively higher.

### Breakthrough April High Indicated

The Index, which averages only 20-year high grade offerings, came very close to breaking through the 3.00% level this week. Just about six months ago, April 18, the Index averaged at 3.023%. The following week the average yield was 2.992% and remained through 3.00% until May 23. During this period, it would seem that inventories were very much higher than they are today as was the calendar of new issue offerings.

Considering these factors, and others less pertinent and relating them to today's circumstances, it seems difficult to escape the notion that the market for tax-exempts may now penetrate the April high level. Were we to average ten-year offerings rather than 20-year offerings we might find that this area of pricing is presently as high if not higher than it was in the strong April market. Bank interest in the early 1970 maturities has been more persistent than in other maturity brackets and partly accounts for this.

### Technical Conditions Favor Tax-Exempts

As we have intimated before, inventory balances are difficult to judge. Perhaps two or three times the *Blue List* total of state and municipal offerings might come close to approximating street inventory. However, we continue to use the *Blue List* total of offerings as the most consistent average count of availability. The current total is $349,634,107. The total has been under $500,000,000 since early July. There is little present indication that a precipitous jump to a higher average total is to be expected. This is certainly favorable to the market.

The new issue calendar also continues to average out at an unexpectedly low total each week. From early January to mid-May the calendar averaged well over $500,000,000 and reached about $700,000,000 in mid-April as the market reached its high point. Since then the average has been well under $400,000,000. Through November, the schedule of new issues now totals but little over $300,000,000. At the present rate of investor demand this average of new issue volume seems not large enough to go around.

### The Political-Economic Scene

Political and economic factors seem to favor a continuing steady bond market. The interpretation of the public expressions of politico-economic experts is frequently a dangerous manner of arriving at policy conclusions but there is little other than these gleanings, frequently antithetical and often meaningless, that offers the long-term investor any guideline for his deliberations.

It would seem to us that Under-Secretary of the Treasury Roosa has done more to clarify the involved financial scene than anyone else. As he has stated, the more obvious and easier measures to reduce the deficit have been taken. The rest of the performance he leaves to the private economy and its ability to find profitable opportunities for productive investment at home and abroad. These are, of course, wise words and they bear repeating.

Our leaders might well give further heed to a closer balance of our national budget. Congress has nobly tried to make more sense during this session in reducing certain welfare and foreign commitments. Unfortunately our leadership seems to resist this salutary effort with all the influences at its command. There must be some give here if the easy and obvious corrections are to generate a strong enough dollar.

### An Active Week for Municipals

The past week has been the most active one in many weeks in the field of new issue underwriting with over $164,000,000 of bonds sold at competitive bidding. Competition among underwriters for these issues reached new low yield levels and underwriting margins of profit were sharply diminished in the frenzy to buy bonds.

Last Thursday, Sept. 20, only one new issue of note sold at public bididng. Fairbanks, Alaska, awarded $3,000,000 municipal utility revenue (1964-1984) bonds to the syndicate managed jointly by Northrop & White and A. P. Kelly & Co. at a net interest cost of 3.929%. The runner-up bid, a 3.955% net interest cost, came from the group headed jointly by Blyth & Co. and B. J. Van Ingen & Co. All but $205,000 of bonds, maturing 1966-1970, were sold privately with no public reoffering. The scale on the 1966 to 1970 bonds was from 2.70% to 3.35%.

On Friday and Monday of the current week there were no important flotations. Tuesday, however, was a banner day with over $76,000,000 of bonds selling at competitive bidding. The largest loan of the week, $32,800,000 Baltimore, Maryland, various purpose (1963-1988) bonds was awarded to the large group managed jointly by the First National Bank of Chicago and Halsey, Stuart & Co., Inc. at a 2.8499% net interest cost. The only other bid for the bonds setting a net interest cost of 2.862% came from the account headed jointly by Bankers Trust Co., Chase Manhattan Bank and First National City Bank.

Other major members of the winning group include Continental Illinois National Bank & Trust Co., Blair & Co., Inc., C. J. Devine & Co., Drexel & Co., Philadelphia National Bank, White, Weld & Co., Carl M. Loeb, Rhoades & Co., Ladenburg, Thalmann & Co., Hallgarten & Co., Hornblower & Weeks, Coffin & Burr, Adams, McEntee & Co., Ira Haupt & Co., A. G. Becker & Co., Inc., Weeden & Co., Dominick & Dominick, Clark, Dodge & Co., Connecticut Bank & Trust Co. and Goodbody & Co. The bonds were offered to yield from 1.50% to 3.10% for a myriad of coupons and upon offering about one-third of the issue was sold.

### Detroit's Multiple Award

Detroit, Michigan, sold $22,910,000 various general obligation and water revenue bonds with issues totaling $21,910,000 awarded to the syndicate headed by Halsey, Stuart & Co., Inc. in association with different joint managers for the various loans. The $10,000,000 school district (1963-1988) bonds went to Halsey, Stuart & Co., Inc. with Drexel & Co. and the First of Michigan Corp. as joint managers at a 3.189% net interest cost. The second bid of a 3.202% net interest cost was made by the Bankers Trust Co. and associates. Scaled to yield from 1.60% in 1963 to 3.35% in 1987, the present balance is $7,500,000. The 1988 maturity carried a one-quarter of 1% coupon and was committed pre-sale.

The Halsey, Stuart & Co., Inc., Drexel & Co. account was the successful bidder for $5,000,000

*Continued on page 33*

**MARKET ON REPRESENTATIVE SERIAL ISSUES**

| | Rate | Maturity | Bid | Asked |
|---|---|---|---|---|
| California (State) | 3½% | 1982 | 3.25% | 3.10% |
| Connecticut (State) | 3¾% | 1981-1982 | 3.15% | 3.00% |
| New Jersey Highway Auth., Gtd. | 3% | 1981-1982 | 3.05% | 2.90% |
| New York State | 3¼% | 1981-1982 | 3.05% | 2.90% |
| Pennsylvania (State) | 3⅜% | 1974-1975 | 2.75% | 2.60% |
| *Delaware (State) | 2.90% | 1981-1982 | 3.05% | 2.95% |
| *New Housing Auth. (N. Y., N. Y.) | 3½% | 1981-1982 | 3.05% | 2.90% |
| Los Angeles, Calif. | 3¾% | 1981-1982 | 3.30% | 3.15% |
| Baltimore, Md. | 3¼% | 1981 | 3.15% | 3.00% |
| *Cincinnati, Ohio (U. T.) | 3½% | 1981 | 3.10% | 2.90% |
| Philadelphia, Pa. | 3½% | 1981 | 3.30% | 3.15% |
| *Chicago, Ill. | 3¼% | 1981 | 3.30% | 3.15% |
| New York, N. Y. | 3% | 1980 | 3.42% | 3.35% |

September 26, 1962 Index=3.003%

*No apparent availability.

## Larger Issues Scheduled For Sale

**In the following tabulations we list the bond issues of $1,000,000 or more for which specific sale dates have been set.**

| | | | |
|---|---|---|---|
| **September 27 (Thursday)** | | | |
| Beloit, Turtle & LePrairie, School District No. 1, Wis. | 1,000,000 | 1965-1982 | 2:00 p.m. |
| Nashua, N. H. | 1,525,000 | 1963-1982 | 11:00 a.m. |
| **October 1 (Monday)** | | | |
| Englewood, Colo. | 3,047,000 | -------- | -------- |
| Paramus School District, N. J. | 2,160,000 | 1964-1983 | 8:00 p.m. |
| **October 2 (Tuesday)** | | | |
| Arizona State University | 1,500,000 | 1965-2002 | 10:00 a.m. |
| DeKalb County, Ga. | 13,990,000 | 1964-1991 | Noon |
| Geddes, N. Y. | 2,675,000 | 1963-1988 | 11:00 a.m. |
| Los Angeles County Flood Control District, California | 10,000,000 | 1964-1989 | 9:00 a.m. |
| Univ. of Virginia (Charlottesville) | 1,200,000 | 1964-1987 | Noon |
| **October 3 (Wednesday)** | | | |
| Artesia Municipal SD #16, N. Mex. | 1,350,000 | 1963-1969 | 10:00 a.m. |
| Licking County, Ohio | 4,316,000 | 1964-1983 | Noon |
| Stratford, Conn. | 2,000,000 | 1963-1982 | Noon |
| **October 6 (Saturday)** | | | |
| Univ. of Nevada (Bd. of Regents) | 2,012,000 | 1963-1977 | 10:00 a.m. |
| **October 9 (Tuesday)** | | | |
| Berkeley Unified Sch. Dist., Calif. | 4,000,000 | 1963-1987 | 10:00 a.m. |
| Middlesex County, N. J. | 3,172,000 | 1963-1987 | 11:00 a.m. |
| Morris Hills, Reg. S. D., N. J. | 2,676,000 | 1963-1984 | 8:00 p.m. |
| New Hanover County (Wilmington), N. C. | 1,425,000 | 1964-1990 | 11:00 a.m. |
| Phoenix, Ariz. | 9,000,000 | 1964-1984 | 10:00 a.m. |
| Portage Township S. D., Mich. | 4,550,000 | 1964-1988 | 8:00 p.m. |
| **October 10 (Wednesday)** | | | |
| Austin College (Sherman, Texas) | 1,022,000 | 1964-2001 | 10:00 a.m. |
| Falls Church, Virginia | 1,200,000 | 1963-1987 | Noon |
| Lexington, Ky. | 1,025,000 | -------- | -------- |
| Louisiana Fiscal Authority | 20,000,000 | 1965-1978 | 11:00 a.m. |
| Wyoming P. S. District, Mich. | 1,500,000 | 1963-1988 | 8:00 p.m. |
| **October 11 (Thursday)** | | | |
| Lexington, Ky. | 1,025,000 | 1963-1979 | 11:00 a.m. |
| Savannah, Ga. | 1,140,000 | 1963-1986 | Noon |
| **October 15 (Monday)** | | | |
| Indianapolis Airport District, Ind. | 2,000,000 | -------- | -------- |
| La Virgenes Mun. Water Dist., Cal. | 2,000,000 | -------- | -------- |
| Rutgers, The State University, New Brunswick, N. J. | 2,420,000 | 1964-2001 | 3:00 p.m. |
| Trenton, Mich. | 1,895,000 | 1963-1982 | 8:00 p.m. |
| **October 16 (Tuesday)** | | | |
| Georgia Rural Roads Authority | 2,600,000 | -------- | -------- |
| Hampton Roads Sanitary District Commission, Va. | 10,000,000 | 1963-2002 | 11:00 a.m. |
| Jerseyville, Ill. | 2,321,000 | 1963-1981 | 7:30 p.m. |
| Michigan State Board of Education (Lansing), Mich. | 1,000,000 | 1964-2001 | 11:00 a.m. |
| Michigan State Board of Education | 3,750,000 | 1965-2002 | 11:00 a.m. |
| Nacogdoches Indep. Sch. Dist., Tex. | 1,200,000 | -------- | 7:00 p.m. |
| Pennsylvania State PS Bldg. Auth. | 26,652,000 | 1963-2002 | Noon |
| Pompano Beach, Fla. | 6,150,000 | 1968-1992 | 11:00 a.m. |
| **October 17 (Wednesday)** | | | |
| Duke University, Durham, N. C | 2,400,000 | 1964-2001 | 10:00 a.m. |
| Greenwood, S. C. | 1,100,000 | -------- | -------- |
| Mich. State Univ. (Bd. of Trustees) | 1,200,000 | 1965-2002 | 11:00 a.m. |
| Univ. of Illinois, Board of Trustees (Urbana, Ill.) | 6,700,000 | 1965-2002 | 11:00 a.m. |
| Vero Beach, Fla. | 2,400,000 | 1964-1991 | Noon |
| **October 18 (Thursday)** | | | |
| Austin, Texas | 2,000,000 | -------- | -------- |
| Galveston, Texas | 3,700,000 | -------- | 2:00 p.m. |
| **October 22 (Monday)** | | | |
| Rutgers, The State University, New Brunswick, N. J. | 2,500,000 | 1964-1998 | 3:00 p.m. |
| **October 23 (Tuesday)** | | | |
| Willoughby-Eastlake S. D., Ohio | 1,000,000 | 1964-1978 | Noon |
| **October 24 (Wednesday)** | | | |
| New York, N. Y. | 107,900,000 | 1963-1992 | 11:00 a.m. |
| **November 1 (Thursday)** | | | |
| La Porte Indep. Sch. Dist., Texas | 1,500,000 | -------- | -------- |
| **November 5 (Monday)** | | | |
| Euclid, Ohio | 1,300,000 | 1964-1983 | Noon |
| **November 14 (Wednesday)** | | | |
| East Bay Municipal Util. D., Calif. | 30,000,000 | -------- | -------- |
| Houston (Waterworks Rev. Bonds), Texas | 14,000,000 | -------- | -------- |

# DEALER-BROKER INVESTMENT LITERATURE AND RECOMMENDATIONS

*IT IS UNDERSTOOD THAT THE FIRMS MENTIONED WILL BE PLEASED TO SEND INTERESTED PARTIES THE FOLLOWING LITERATURE:*

**Airlines**—Bulletin—Filor, Bullard & Smyth, 26 Broadway, New York 4, N. Y.

**Canadian Dollar**—Review—Bank of Montreal, P. O. Box 6002, Montreal, Canada.

**Cigarette Industry**—Analysis with particular reference to **R. J. Reynolds Tobacco Company, American Tobacco Company, Liggett & Myers Tobacco Company, P. Lorillard Company** and **Philip Morris Incorporated**—W. E. Hutton & Co., 14 Wall Street, New York 5, New York.

**Cosmetics Industry** — Memorandum with particular reference to **Avon Products Inc.** and **Max Factor & Co.**— A. G. Becker & Co., Incorporated, 60 Broad Street, New York 4, N. Y.

**Electric Utiltiy Earnings Projections 1962 - 1965** — Study — Bear, Stearns & Co., 1 Wall Street, New York 5, N. Y.

**Future of the Dollar** — A timely discussion of the problems now facing the dollar on the International scene, covering the United States in a Changing World Economy, Position of the Dollar, Causes of the Balance of Payments Deficits, Internal Measures to Strengthen the Dollar, and Solution of the Dollar Problem—Reprints of study by the Graduate School of Business Administration of New York University—On request from C. J. Devine & Co., 48 Wall St., New York 5, N. Y.

**Gold**—Discussion—First National Bank in Dallas, P. O. Box 6031, Dallas 22, Texas.

**Government Securities Market**—Review—Continental Illinois National Bank and Trust Company, 231 South La Salle Street, Chicago 90, Ill.

**Insurance Companies** — Comparative figures — Laird, Bissell & Meeds, 120 Broadway, New York 5, New York.

**Japanese Market** — Review — Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also available is an analysis of **Mitsukoshi Ltd.**

**Japanese Market**—Survey—Daiwa Securities Co., 149 Broadway, New York 6, N. Y. Also available are memoranda on **Honda Motor Co.** and **Yokohama Rubber Co.**

**Japanese Rolling Stock Manufacturers** — Review with particular reference to **Fuji Car Manufacturing Co., Kawasaki Rolling Stock Manufacturing Co., Nippon Sharyo Seizo Kaisha Ltd.,** and **Tokyu Car Manufacturing Co.** — Yamaichi Securities Co. of New York, Inc., 111 Broadway, New York 6, N. Y. Also available is an analysis of **Tokyo Electric Power Co.**

**Lasers and the Telephone Industry**—Discussion—Stearns & Co., 80 Pine Street, New York 5, N. Y.

**Life Insurance Companies**—Comparative analysis of 60 companies —Ralph B. Leonard & Sons, Inc., 25 Broad Street, New York 4, New York.

**OTC Institutional-Type Utilities, Gas Producers/Pipelines** and **Independent Telephones**—Brochure on 56 issues — Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

**Oil Stocks** — Bulletin — Courts & Co., 11 Marietta Street, N. W., Atlanta 1, Ga. Also available is a memorandum on **International Minerals & Chemicals.**

**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 23-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.**

**Over the Counter Stocks**—Comparative figures on 53 issues which appear interesting—Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y.



**Prudent Man Investments**—Selected common stocks — Wayne Hummer & Co., 105 West Adams Street, Chicago 90, Ill. Also available is a review of the **Government Market.**

**Quebec Hydro Utilities**—Discussion of the proposed nationalization—Greenshields Incorporated, 507 Place d' Armes, Montreal, Que., Canada. Also available is an analysis of **Canadian Pacific Railway Company.**

**Steel Companies**—Outlook—Evans & Co. Incorporated, 800 Park Avenue, New York 22, N. Y.

**U. S. Corporations**—Comparative figures on 100 largest U. S. Corporations—F. S. Moseley & Co., 50 Congress Street, Boston 2, Mass. Also available is a review of recommended issues.

**Women's Wear Industry**—Analysis with particular reference to **Bobbie Brooks, Inc., Girltown, Inc.; Jonathan Logan; Kayser-Roth; Marlene Industries,** and **Oxford Manufacturing Co., Inc.**—Hemphill, Noyes & Co., 8 Hanover Street, New York 4, N. Y. Also available is a memorandum on **Muskogee Co.**

* * *

**Alleghany Corporation**—Analysis —H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

**American Distilling Company** — Analysis — Hooker & Fay, Inc., 221 Montgomery Street, San Francisco 4, Calif.

**American Enka Corporation**—Analysis — Bruns, Nordeman & Co., 115 Broadway, New York 6, New York.

**American Safety Equipment Corp.** —Analysis—Arnold Bernhard & Company, Inc., 5 East 44th Street, New York 17, N. Y.

**Arnav Industries Inc.**—Analysis—Edward F. Henderson & Co., Inc., 15 William Street, New York 5, New York.

**B. V. D. Company**—Report—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

**Beneficial Standard**—Comments—Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif. Also available are comments on **Von Hamm Young Company.**

**E. J. Brach & Sons**—Comment—Shields & Company, 44 Wall Street, New York 5, N. Y. Also available are comments on **Phillips Van Heusen** and **Square D.**

**Buckingham Corp.**—Memorandum —Crichton, Cherashore & Cundey Inc., 170 Broadway, New York 38, N. Y.

**Cinerama** — Memorandum — Reuben Rose & Co., Inc., 115 Broadway, New York 6, N. Y.

**Colorado Interstate Gas**—Memorandum—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

**Columbia Pictures Corp.**—Analysis—J. R. Williston & Beane, 2 Broadway, New York 4, N. Y.

**Continental Assurance Company** — Analytical brochure — William Blair & Company, 135 South La Salle Street, Chicago 3, Ill.

**Diamond Alkali Company**—Analysis—Hardy & Co., 25 Broad Street, New York 4, N. Y.

**Dominion Textile** — Memorandum —McLeod, Young, Weir & Company, Limited, 50 King Street, West, Toronto 1, Ont., Canada. Also available is an analysis of **Noranda Mines Limited.**

**Duncan Coffee Co.** — Analysis — Dittmar & Company, Inc., 201 North St. Mary's Street, San Antonio 5, Texas.

**First Mortgage Investors**—Memorandum—Wm. H. Tegtmeyer & Co., 105 South La Salle Street, Chicago 3, Ill.

**General Steel Industries**—Analysis—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

**Hospital Supply Industry**—Analysis—Blunt, Ellis & Simmons, 111 West Monroe Street, Chicago 3, Illinois.

**Howard Johnson Company**—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

**Industrial National Bank of Rhode Island**—Memorandum—Brown, Lisle & Marshall, Turks Head Building, Providence 3, R. I. Also available is a memorandum on **Rhode Island Hospital Trust.**

**International Business Machines** Memorandum—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y. Also available is a memorandum on the **Aerospace Industry.**

**International Harvester**—Analysis —Colby & Company Inc., 85 State Street, Boston 9, Mass. Also available are reviews of **Seaboard Air Line Railroad** and **Thiokol Chemical.**

**International Nickel Co. of Canada**—Report—Reynolds & Co., 120 Broadway, New York 5, N. Y.

**International Railroad Weighing Corp.**—Bulletin—Winslow, Cohu & Stetson, Inc., 26 Broadway, New York 4, N. Y.

**Jefferson Construction Co.**—Analysis—D. B. Marron & Co. Incorporated, 63 Wall Street, New York 5, N. Y.

**John Rogers Company**—Analysis —Qualls & Company, Frank Nelson Building, Birmingham 3, Ala.

**Lear Siegler Inc.**—Comment—Schweickart & Co., 29 Broadway, New York 6, N. Y. Also available are comments on **Philadelphia & Reading Corp.** and **Olin Mathieson Chemical Corp.**

**Loew's Theatres**—Analysis—Bregman, Cummings & Co., 4 Albany Street, New York 6, N. Y.

**Ludlow Corp.**—Memorandum—Herzig, Farber & McKenna, 50 Broadway, New York 4, N. Y.

**Lynch Corporation**—Analysis—Pyne, Kendall & Hollister, 60 Wall Street, New York 5, N. Y.

**MCA**—Analysis—L. F. Rothschild & Co., 120 Broadway, New York 5, N. Y.

**Marathon Oil** — Memorandum — Pershing & Co., 120 Broadway, New York 5, N. Y.

**Massey Ferguson Ltd.** — Analysis —Watt & Watt Limited, 6 Jordan Street, Toronto 1, Ont., Canada.

**McDonnell Aircraft** — Memorandum—Hornblower & Weeks, 1 Chase Manhattan Plaza, New York 5, N. Y. Also available are memoranda on **Beatrice Foods** and **Sinclair.**

**Mesabi Trust**—Memorandum—J. W. Sparks & Co., 120 Broadway, New York 5, N. Y.

**Mississippi River Fuel**—Memorandum—Penington, Colket & Co., 70 Pine Street, New York 5, N. Y. Also available is a memorandum on **Pacific Lighting.**

**Moore Corporation Limited**—Analysis—Equitable Brokers Limited, 60 Yonge Street, Toronto 1, Ont., Canada. Also available is an analysis of **Laurentide Financial Instrument.**

**North American Life & Casualty** — Memorandum — Insurance Stocks, Inc., Majestic Building, Denver 2, Colo.

**Nunn Bush Shoe Co.**—Memorandum—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also available is a memorandum on **Chicago Musical Instrument.**

**Occupational Wage Survey:** Canton, Ohio — U. S. Department of Labor, Bureau of Labor Statistics —Superintendent of Documents, Government Printing Office, Washington 25, D. C. (paper), 25¢.

**Ontario, Canada** — Annual Report of Municipal Statistics, 1961—Department of Municipal Affairs, 801 Bay Street, Toronto 5, Ont., Canada.

**Paddington Corporation**—Analysis —Dreyfus & Co., 2 Broadway, New York 4, N. Y.

**Panhandle Eastern Pipe Line Company** — Review — Vanden Broeck, Lieber & Co., 125 Maiden Lane, New York 38, N. Y. Also available is a review of **Sprague Electric Company.**

**Scherr Tumico**—Memorandum—Irving J. Rice & Company, Inc., Pioneer Building, St. Paul 1, Minn.

**Schlumberger Ltd.**—Report—Walston & Co., Inc., 74 Wall Street, New York 5, N. Y.

**Society Corporation** — Statistical analysis compared to the four major Cleveland Banks—Edward N. Siegler & Co., 915 East Ohio Building, Cleveland 14, Ohio.

**Stewart Warner Corp.**—Memorandum—Bacon, Whipple & Co., 135 South La Salle Street, Chicago 3, Ill.

**Telefonos de Mexico, S. A.**—Study —New York Hanseatic Corporation, 60 Broad Street, New York 4, N. Y.

**Texas Industries Incorporated**—Analysis—Van Alstyne, Noel & Co., 40 Wall Street, New York 5, New York.

**Union Oil Company of California** —Analysis—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif. Also available are memoranda on **Fireman's Fund Insurance Co.** and **Times Mirror Co.**

**Unishops Inc.**—Analysis—Singer, Deane & Scribner, Union Trust Building, Pittsburgh 19, Pa.

**Universal Oil Products Co.**—Analysis—Fahnestock & Co., 65 Broadway, New York 6, N. Y.

**West Coast Life Insurance Company**—Analysis—Sanford & Company, 233 Sansome Street, San Francisco 4, Calif.

**Westinghouse Electric**—Review—Kalb, Voorhis & Co., 27 William Street, New York 5, N. Y.

**Wilson and Company**—Chart analysis — Uhlmann & Co., Inc., Board of Trade Building, Kansas City 5, Mo.

**F. W. Woolworth Co.**—Memorandum—McMahon, Lichtenfeld & Co., 111 Broadway, New York 6, New York.

**Wurlitzer Company**—Comment in current issue of "Investor's Reader"—Merrill Lynch, Pierce, Fenner & Smith Incorporated, 70 Pine Street, New York 5, N. Y. In the same issue are comments on **Grayson Robinson Stores; Ametek Inc.; Victor Comptometer; Thomas & Betts Company; Harris Intertype; Kawecki Chemical Co.; Goodyear; Firestone; Flying Tiger; Chesebrough-Pond's Inc.; Oxford Paper Company** and **Desilu.**

**Zale's Jewelers**—Memorandum—Sincere and Company, 208 South La Salle Street, Chicago 4, Ill. Also available is a memorandum on **International Minerals & Chemical.**

# The State of TRADE and INDUSTRY

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

Business conditions are beginning to brighten according to this week's analysis by the First National Bank of Chicago. The Bank's monthly publication *Business and Economic Review* observed that "the economy staged a step forward in July after an earlier pause which brought with it predictions from various quarters of the recovery's end. The resumed upward movement, however, is still somewhat sluggish so that there is as little reason now to point to it as proof of a continued expansion as there was last month to point to its impending demise.

"A highly encouraging development was a sharp jump in the July volume of retail sales, which rose 3% above the June level and reversed a two month decline. Furthermore, the impressive rise to a seasonally adjusted volume of $19.7 billion achieved a new record, somewhat above that of the previous peak in April. Sales by manufacturers and wholesalers were also up, though less spectacularly, with the result that combined sales of all business reached a record volume of $66.5 billion, up 2% from June.

"Industrial production also established a record in July after a rather unimpressive performance the previous month. Much of the comparative results were traceable to the automobile industry which was depressed in June by a strike at one of the major producers, while its subsequent settlement helped bring about a sharp jump in the July performance. A virtual halt in the decline in steel output and a firming of forward ordering gave support to the industry's expectation that this will be the first year since 1957 that steel output will exceed 100 million tons.

"A record was set in new orders received by manufacturers in July. Total orders rose to $33.5 billion, 2.5% above June. But even more significant was the 5% jump in durable goods orders which for several months have shown lackluster behavior. At $16.2 billion, durable goods orders are still below the January peak of $16.4 billion, which reflected hedging against a possible steel strike. The July result was aided by the letting of defense contracts which had been subject to some delays in the previous month. The pickup in new orders is expected to show up in a continued rise in factory sales for the balance of the year.

"The August survey of businessmen's capital spending plans reaffirmed an earlier estimate of $37.2 billion for the year, 8% above the 1961 outlay total. Coming after the sharp break in the stock market, this latest survey is reassuring for it dispels the fear that the uncertainty created by the market break might have induced business to postpone capital spending. As the year progresses it is even conceivable that the new depreciation rules permitting larger deductions against taxable income will begin to have a stimulative effect on such spending.

"Personal income was up again, as it has been every month this year. Furthermore, the July increase was somewhat better than that of June's, but it was not what could be termed vigorous. Still, the anual rate of $442 billion was about $22 billion greater than that of a year ago.

### Unfavorable News

"However, not all of the latest economic news was favorable. Most worrisome was the unexpected jump in the rate of unemployment. This rate had been worked down to the current recovery low of 5.3% of the labor force in July, but by mid-August it suddenly rose to 5.8%. It appears, however, that the result was largely due to the coincidence of certain seasonal factors which combined to produce this unexpected jump during the very week that the unemployment survey was taken. The month as a whole may show a lower rate of unemployment.

"Construction expenditures fell $0.5 billion in July from the June peak annual rate of $62.7 billion, after rising for four successive months. This total was maintained in August when a small drop in private expenditures was offset by an increase in public construction. In the housing area, July activity was off ½% from the previous month's pace, which in turn had been off from the May peak. However, contract awards for future construction rose for the seventh month in a row, though at a slower rate of increase than in earlier months. It seems likely that no great change either way can be expected in construction activity for the remainder of the year.

"Taking all sectors together, the economic data for July and early August do not spell the end of the expansion which began in February a year ago. Underlying strength is still quite evident, and thus far any weaknesses which have developed have not persisted long enough to cause serious difficulty. Even the surprisingly high unemployment rate in mid-August may prove to be a fluke of definition and timing rather than a sign of deterioration in the economic outlook.

### Bank Credit Expands

"In the past 12 months total bank credit — loan and investments—has grown by $20 billion. Business demand for bank loans, however, has been less than in similar stages of earlier cycles and banks have therefore turned to other outlets—especially holdings of state and local securities and real estate loans. Total loans of all banks in the first week of August were $14 billion above the level of a year ago while holdings of securities other than U. S. Government obligations rose $5.3 billion, a more than normal ex-

*Continued on page 29*

# Municipal Bond Industry Problems Needing Solution

By Alan N. Weeden,* Vice-President, Weeden & Co., New York

**New York municipal dealer probes a host of problems relating to municipal syndication in need of solution. Mr. Weeden calls for a collective review of, and arbitration of inequities in, procedures and practices which have become bewilderingly complex with the vast expansion of municipal financing. Mr. Weeden notes many new syndicate practices have not been accepted by all segments of the industry; that the rank and file dealers believe they have had too little voice in the formulating of existing rules; and that dissatisfaction arises from non-uniform application of existing practices. The manager's viewpoint is presented; dangers of a divided industry recognized; and the need to search for better and more equitable ways to handle syndicates is stressed.**

There is only one point I want to stress here—that we have some operational problems in our business and that we ought to make a serious effort to work them out.


Alan N. Weeden

The practices under which we operate in the municipal bond business are not written. They exist in our minds and they are passed on by tradition. They are subject to individual interpretation and definition. They are also subject to change. Our business has grown tremendously in the past dozen or so years both in terms of volume underwritten and personnel. We have all strained mightily to take care of this growth. In doing so we have changed some of the concepts and usages we used to be governed by, discarded a few and added new ones at a fearful rate.

Bear in mind the takedown meeting was still extant when I came into the business in 1949, and designated orders were still unheard of. In the rapidity of the growth since then, we have created a complicated structure of syndicate rules and practices which bewilders and bothers many of us. The heated discussions we sometimes have in syndicate meetings and elsewhere over our rules bears testimony to this. In our growth I think perhaps we have forgotten something—that in order to keep our practices fair, workable and efficient we ought constantly to subject them to constructive review. Pick them apart as it were.

### Cites "Drop Out" Experience

This we have failed to do. We have failed in part because we have lacked a vehicle, a method, through which this review could take place. I remember a few years ago when a group of us voted to drop out of a large revenue account because a management fee was being imposed on a competitive deal. You might guess that a very lively discussion arose. One of the joint managers observed that a price meeting was no place to discuss syndicate procedure. He was right of course. But when asked where the proper place was, his answer of "The I. B. A. Convention" was greeted more with laughter than belief. Yet, actually, he was right again. The I. B. A., encompassing almost the entire municipal fraternity is the most logical place to work out these problems. The I. B. A. is where our sleeves ought to be rolled up and workable solutions hammered into shape. A good start has been made in that direction.

The Forum at last year's convention and this meeting are on the right road. But a meeting of this size is only a place to air problems, not to solve them. Three years ago when the IBA subcommittee on syndicate operations was formed, many of us hoped that this would provide a vehicle for a thorough review of our practices. So far we have been disappointed. I am a member of this year's subcommittee. The only question to date that has come before it is one involving local advertising of new issues. I think we have some far more pressing problems. I would venture that so do a lot of other people who are here at this Conference.

### Spells Out the Problems

I would like now to enumerate and briefly discuss some of these problems I have alluded to.

Let us start with designated orders. This practice originated in the early dealer housing accounts and was designed to compensate the salesman who devotes time and effort to the large group buyer. The practice has grown to the point where very seldom now is any order confirmed at net for group. I think probably we all support designated orders in theory but like some drug products, in practice there are sometimes unfortunate side effects.

For instance:

(1) Designated orders are given a priority — that is, they are a group sale — yet a member not designated is deprived of knowing the name of the account that brought group bonds, and even a member designated is sometimes not notified for days. Meanwhile, the firm handling the order and the manager both know that a particular account is buying. This is valuable information.

(2) Many large institutional buyers now tend to restrict their discussion of pre-sale interest and price levels to managers only. At the same time they prefer their name not be mentioned at meetings to avoid the flood of calls seeking a part of any designation. This can leave members in a vacuum. They are deprived of an open discussion of pre-sale business and unable to acquire the information on their own.

(3) Designated orders have led to a practice we can call "escalation." That is, a member puts in an order for himself with instructions to the manager to make it a designated or group net order if necessary. This, of course, makes a mockery of the whole principle of priorities.

(4) Designated orders create a conflict of interest with management who must resist the temptation to influence the institution in the setting of designated credit. He likewise must resist the temptation to be influenced by the size of his own designation when he allocates bonds. Meanwhile, his salesman is doing the best he can to get a larger share of the order.

(5) With the tendency increasing for large retail buyers to talk only to managers, I think we are inviting something that, to my knowledge, has not occurred as yet—that a manager armed with a knowledge of pre-sale and potential orders could sit back and let members drop who might not have, had they been given this information.

We are also inviting the possibility of managers, armed with information they have not divulged to the account, bidding for and taking down bonds pre-sale, against orders which technically should be group orders.

This list by no means exhaust the problems connected with designated orders but the time available for this presentation is short.

### Management Fees on Competitive Awards

The question whether management should be compensated by some sort of fees on competitive deals is one of our most controversial unsolved problems. Some managers presently charge a management fee on successful revenue and housing issues, based on a percentage of gross spread. Some managers charge a service or clearance fee, usually 25c per bond, although the rate is sometimes higher on revenue bonds. Most managers charge a 25c fee for clearing designated orders and at least one or two impose this fee on top of their regular service fee. There are, of course, many managers who charge no fee at all.

I have no wish here to get further into this controversy. There are valid arguments, both pro and con, as to whether these fees are justifiably charged. Suffice it to say that they are objected to by many dealers who feel that they had no voice in their imposition.

### Host of Other Unresolved Problems

There are many other problems relating to municipal syndication that we have not solved as yet. Let me quickly list a few:

(1) Allowing banks a priority over dealer members on bonds bought for portfolio has caused objections. A 90-day rule limiting resale has usually been imposed but it is doubtful if this rule is binding.

(2) We still have not solved many of the myriad problems involved in selling bonds out of syndicate at less than list price. Down markets are bad enough without the chaos we produce when trying to extricate ourselves.

(3) Some non-dealer banks ask for a concession on bonds bought from syndicate. Shouldn't we clear up whether this is to be allowed so that we can all compete on the same level?

(4) The proxy problem is still up in the air. We still have five or six out-of-town members every meeting who have not been heard from. And we still can have a bearish member ruin a bid because he controls eight or nine

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# Municipal Syndication From A Manager's Viewpoint

By Delmont K. Pfeffer,* Senior Vice-President, and Head of Bond Administration, The First National City Bank of New York

**Seeking the nub of municipal syndication complaints, Mr. Pfeffer points to the consequences flowing from greater democracy here than, for example, in utility syndicates; the plethora of new issues; and the rise of so many major underwriters. Moreover, he questions the rigidity disallowing shifts in final bidding underwriting position, and the lack of discretion permitted the manager or a committee. Pleading that strong leadership be accorded to the manager, Mr. Pfeffer opines that the growing burden of managing accounts and curtailed earnings compel this be done.**

Summarizing my 30 years of experience in the municipal bond industry I would like to quote an old French proverb which I think is admirably descriptive of business: "The more it changes the more it is the same." Perhaps the older men here will appreciate that even more than the younger ones. Perhaps we were young Turks once, too. I assure you I don't feel so ancient as I look. Yet within the span of my years we have progressed from Old Dobbin to 20-foot motor cars bearing five-year warranties, from the Wright Brothers' motorized kite to 2,000 miles-per-hour jets, from the County Fair's baloon ascension to Titan rockets and cosmonauts. And in all that time the municipal syndicate agreement has remained essentially unchanged in content, although stretched by the lawyers to about three times as many words.


Delmont K. Pfeffer

The municipal syndicate as we know it is legally a very simple form of joint venture. The fact that it has continued to be adequate despite amazing changes in the volume and other tools of our business, is a most impressive testimonial to the adaptability of our syndicate contract.

### Points of Friction

Many of you are prepared to argue about syndicate rules, such as treatment of designated credits, pre-sale orders, bank investment orders, confirmations during order periods, re-pricing procedure, management fees, and a half dozen other points of friction.

I have never had any great sympathy for attempts to standardize these procedural matters, as I believe that flexibility is the essence of success, and working rules can be set up each time to fit the current conditions.

What interests me is how to get more effective competitive power and performance out of a given syndicate.

### Suggested Change

Just as a challenging thought, we might consider the possibility of altering municipal syndicate practice in the direction of the syndicate agreement used in bidding competitively for public utility bonds; as you know that would be in the direction of giving the manager, or the manager and a small committee, greater authority in fixing the bid and terms of offering, and in meeting any unexpected developments.

We have always said proudly that there is no form of organization more democratic than that of a municipal syndicate. It is true, the manager is expected to give a certain amount of leadership but the spirit of independence among municipal syndicate members frequently goes to the extreme of producing a joint experience in frustration.

Many of the syndicate managers' woes are perversely attributable to an embarrassment of riches—too many new issues and more than enough capital power.

### Conflicts of Interest

The tremendous increase in volume and numbers of new issues within the last ten years in itself creates conflicts of interest within any given syndicate, in that some members of the group assembled to bid for issue A are really much more interested in issues B, C or D which is selling on the same day, and accordingly give no support to the manager on issue A.

Even if capital limitations are not embarrassing, the very plethora of new issues is likely to cause any participant to concentrate on those in which he has the greatest interest and to pull back or drop out from the others.

A second long-term development, while seemingly an offset to the first just mentioned, in fact works in the same direction: this is the impressive capital power which in the aggregate is now engaged in municipal underwriting.

### More Major Underwriters

For every recognized major underwriter in the business 20 years ago, today there are a dozen who are rated as major. This means that the leaders of any given underwriting group have been reduced to relatively much smaller stakes in the potential profit.

A second result arising from this growth of underwriting power is that firms which have been in the second or third participation brackets are discontentedly stepping out to form and lead their own groups, and naturally they are more interested in winning the bid which they themselves direct than in helping the group in which they have what they regard as an undeservedly poor position. These are understandable expressions of ambition.

The trend toward ever smaller participations has the good result of enabling a great many municipal dealers to participate in a broad spectrum of underwritings, obtaining the greatest possible diversification at the price of a modest underwriting risk.

Under these conditions, the municipal market probably gains stability through the many interrelationships of accounts, which reduce exposure to the damage that might result to the whole market if a few powerful interests were free to act in isolated cases without considering the effect upon their own participations in several other open accounts. In this sense, the trend toward fractionizing participations is soundly conceived.

**Adverse Effect of Unnecessary Fractionalization**

On the other hand, from the viewpoint of the manager, an underwriting group which is unnecessarily fractionized creates many management problems through the sheer physical undertaking of reaching a great number of members for their views, reporting the bid to those who cannot attend the final meeting, and receiving subscriptions, making and confirming allotments, not to mention the subsequent bookkeeping.

An unbiased observer would reasonably conclude that problems of growth in volume and in competitive power could easily be met by organizing and reconstituting historical syndicates, but in fact nothing could be more difficult.

**The Manager's Plight**

Since there are so many managers in the business today, perhaps it is in order to shed a tear for the manager's plight. He must use great foresight in taking participants into his accounts, because once in, membership becomes an inalienable right.

The participant may send his third assistant to the meeting, may consistently fail to do this homework, and may never succeed in selling his participation, but let the manager try to drop him and his pride is outraged. On the other hand, an applicant for admission appears to expect the manager to manufacture bonds or drop old members so he can have the participation and the position he wants.

Again, all this is perfectly normal human behavior, but the combination of the factors I have mentioned, plus disputes over procedural matters will very frequently tie a syndicate up in a series of Gordian knots which cramp its competitive power and give the manager fits of frustration.

What we need is a little more appreciation of the responsibilities and duties accepted by the manager, and some move toward lifting the limitations which the customs of the trade now impose upon his effectiveness and his incentives.

**Prescription for More Successful Syndicates**

As you have undoubtedly guessed, like everybody else, I have my own pet version of the prescription for happier managers and more successful syndicates.

First, I suggest that managers be regarded as honest and well-intentioned until proved otherwise.

Now, Alan Weeden has brought some pretty serious indictments against managers, and probably each one of them is warranted by actual experience. But there is always another side to it, and there should always be some consideration of the fact that an issue not immediately successful really requires some management

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## How to Market Municipal Bonds To Individuals

The Special Committee for Public Education on Municipal Securities of the Investment Bankers Association of America has made available to its members a series of advertisements promoting the sale of municipal bonds to individuals.

The Advertising Kit containing 12 advertisements was introduced at the First Municipal Conference held in Chicago. The ads are designed to attract the attention of and to inform the potential investor as to the purpose of and the investment features that are to be found only in municipal bonds. Basically, the kit was prepared to assist the small dealer in developing a program to enable him to expand his municipal bond market and to serve as the nucleus for the development of his own advertising program at minimum expense.

The ads are designed in such a manner that they can be adapted to include specific services and facilities of the individual firm if desired. To minimize the individual dealer cost in his first venture into the field of advertising, the Special Committee for Public Education on Municipal Securities will make available the series in reproducible mats for use in newspapers and magazines for $25. It should be understood that the ads are available to all members, large or small. Those who have not received page proofs of the ads and would like to review same may obtain a sample kit free of charge by writing to the Investment Bankers Association of America, 425 Thirteenth Street, Washington 4, D. C., Attention: Special Committee for Public Education on Municipal Securities.

## Dominick Firm To Admit Two

Dominick & Dominick, 14 Wall Street, New York City, members of the New York Stock Exchange, on Oct. 1, will admit Peter M. Kennedy and George A. Wadelton to partnership.

# Investment Qualities of Puerto Rican Bond Issues

Ernest C. Duben, *Manager of Research and Analysis, Municipal Bond Department, Ira Haupt & Co., New York City*

**Puerto Rican bonds enjoy an enviable, high investment quality well known to institutional but not to individual investors. Mr. Duben sets forth the reasons, for the benefit of the latter, for the high regard held for the Island's bonds, besides the double income tax exemption feature, not least of which are: (1) the stringent built-in protection standards equally applicable to smaller bonds with strange names as to the readily identifiable larger ones; (2) marketability reflecting nationwide primary distribution and secondary market liquidity created by certain underwriters and brokers; and (3) substantial economic progress made and further growth expected for the Commonwealth. At present there are $250 million of Commonwealth and municipal tax-supported bonds outstanding as well as $330 million revenue-supported indebtedness of public authorities and corporations carefully issued and scrupulously backed by all of the Island's general revenues. To date there has been neither default nor delinquency nor forced or contrived refunding to avoid default. Individual investors are expected to respond to Puerto Rican bonds as they become better known and understood.**

In 1940 the Commonwealth of Puerto Rico initiated a concerted effort to improve the social and economic future of its people through a program of industrialization. A present review of the results of this program known as "Operation Bootstrap" discloses a significant measure of success. In the short span of the past 20 years, Puerto Rico's income measure by gross product has increased 524%, electric power production has soared 1,278%, school enrollment has increased 112% and human life expectancy is up 52%. Other economic and social indicators are similarly progressive. The once primarily agricultural economy has been supplanted by a diversification in which agriculture expanded productivity but was nevertheless surpassed 60% by manufacturing as a source of income. Such diversification extends into industry wherein approximately 800 modern plants produce a wide range of apparel, food, petrochemical, electronic and other products—truly, a powerful surge forward from the 96 plants existing in 1950.

Ernest C. Duben

The development of such economic growth was immeasurably aided by programs of acquisition, construction and improvement of electric power supply systems, highways, airports, seaports, water and sewer systems, schools, health centers, and police and fire protection facilities financed by the Commonwealth Government, the municipalities and the special purpose public corporations and public authorities. Much of such financing was not only the result of an endeavor to keep apace with actual industrial and other economic growth but also of realistic preplanning to provide for future growth and need. As in continental United States communities experiencing rapid growth, Puerto Rican units of government financed major public works, utilities and other governmental capital improvement programs through borrowing secured by bonds issued by the respective borrowing units of government.

Of more than passing interest to the taxpaying investor is the matter of tax free interest obtained from the bonds. With the entry into Statehood of Hawaii and Alaska, governmental bonds issued in Puerto Rico have a unique distinction of being the only bonds currently being issued with the interest thereon exempt from Federal income taxes and from income taxes of all states, including their subdivisions and municipalities, except estate, inheritance and gift taxes. In addition, Puerto Rican bonds are exempt from income taxes in Puerto Rico. This exemption from double and triple income taxation does enhance the bonds to many taxpayers and, in a measure, improves marketability in secondary markets.

As in the case of other borrowers with which the investment community is not familiar, the initial efforts of Puerto Rican bond issuance left much to be accomplished. With the passage of time and the emergence of large bond issues, an interest in such income tax exempt Puerto Rican bond issuance was created through the efforts of Puerto Rican officials and the investment banking community. Today the confidence on the part of investors in the economic and political future of Puerto Rico is apparent by the amount of such public financing successfully completed since the initial efforts of two decades ago and by the institutional demand for such bonds evidenced by interest so broad that, of late, certain new bond issues are being placed by the underwriters in a matter of hours on the day of purchase. As of early 1962, slightly more than $250 million of tax-supported gross bonded indebtedness of the Commonwealth and its municipalities was outstanding. In addition to such tax-supported bonded indebtedness, approximately $330 million of revenue-supported gross bonded indebtedness of public authorities and corporations is outstanding, including approximately $250 million of gross bonded indebtedness of the Puerto Rico Water Resources Authority, the largest of such public authorities and corporations, but not including public housing authorities. All of the aforementioned indebtedness excludes short-term governmental debt.

As the investment community well knows, such good reception by professional buyers for institutional portfolios is usually not a matter of accident. In the instance of Puerto Rican bonds, successful marketing is generally attributable to:

(1) The sound management of Commonwealth public finances,

(2) The financial leadership of the Government Development Bank for Puerto Rico, and

(3) The primary and secondary market created by certain underwriters and brokers,

and is specifically attributable to the favorable financial characteristics of each of the bond issuing bodies of government and of their respective bonds.

### Sound Governmental Management

The concept of a balanced budget for current operations is regarded as a cardinal feature of Puerto Rico's basic philosophy of government and is reflected in provisions of the Commonwealth Constitution which prescribe that appropriation for each fiscal year may not exceed total estimated revenues for such year.

Other indicators of sound public debt management are present in various forms and practices. The Commonwealth Government and its municipalities are the only units of government with the right to levy ad valorem taxes and there is, therefore, no other overlapping ad valorem taxation or overlapping bonded indebtedness payable from such taxation. All of the Commonwealth's general revenues are placed in the General Fund of the Commonwealth Treasury and are available to pay debt service on bonds. No pledges of general revenues are made to special funds. The Commonwealth Government supervises municipal fiscal matters to an extent largely unknown in mainland practice. Municipal ordinances creating debt must be approved by the Commonwealth's Governor and the Commonwealth's Secretary of the Treasury levies and collects all municipal taxes and segregates therefrom the amounts required to pay the respective municipal bonds. Such management enables Puerto Rican officials to note that, in the credit history of the Commonwealth and its municipalities, agencies, public authorities and other political subdivisions, there is no record of default or delinquency in payment of principal or of interest on any bonds, nor has there been any forced or contrived refunding of maturing bonds to avoid default.

### Government Development Bank

The Government Development Bank, established in 1942 to provide medium- and long-range credit for industrial and other projects unable to be financed through commercial bank channels, has contributed vital financial services in the development of Puerto Rican growth. In 1945 the Bank was given the responsibility of acting as fiscal (or borrowing) agent for the Commonwealth and all public bodies in Puerto Rico. It provides technical assistance to borrowers and coordinates and executes their borrowing operation. The Bank provides close liaison with the investment community on the mainland and maintains offices in Wall Street, New York.

Much credit to the present popularity of Puerto Rican tax exempt bonds may be ascribed to the Bank's vigorous efforts to supply information to potential purchasers and to bondholders. Forthcoming new issues are well described. But, in an area wherein some mainland issuers prove disappointing, during the period following bond issuance the Bank can be said to excel in its "follow-through" with its supply of a variety of informational literature which enables bondholders and bond analysts to maintain a close scrutiny of financial and economic factors which may affect bonds held. Of invaluable aid to local investors and underwriters is the welcome personal touch demonstrated by the New York office of the Bank in its willingness and ability to prepare and supply information in reply to requests.

### The Underwriters and Dealers

A comparatively small number of Wall Street investment banking houses were instrumental in developing the present nationwide market for Puerto Rican governmental bonds. Utilizing contracts with bond dealers in strategically located financial centers, much effort was expended to acquaint the investing public with the qualities of the initially little-known bonds. Today at least two nationwide underwriting syndicates are available to underwrite Puerto Rican bonds and provide the comprehensive distribution which most bond issuers desire.

After the success of initial efforts in marketing such new issues, to create necessary fluidity a secondary market was created to buy and sell bonds held by bondholders. Although a significant amount of bonds are held by institutional investors who, as a class, generally purchase bonds to retain them over long periods of time, there are certain individual investors and institutional investors who have need for a secondary market outlet. An illustration being the contrast between casualty insurance companies, which require some fluidity to pay large unexpected losses, and life insurance companies, which, as a rule, can plan their payout according to experience and mortality tables. Fluidity through a secondary market is a necessary ingredient and is present in that the houses creating such Puerto Rican market are always eager to make a bid for bonds held.

### The Commonwealth Government

By means of the Organic Act of Puerto Rico, in 1917 the United States granted American citizenship to the people of Puerto Rico. In 1950 the U. S. Congress approved a law enabling the people of Puerto Rico to draft their own constitution. The Constitution was drafted and approved by Congress and the President of the United States and become effective upon proclamation of the Governor of Puerto Rico on July 25, 1952. The Constitution recognizes and assures a separation of powers among the executive, legislative, and judicial branches. Both the Governor and the bicameral legislature are subject to regular election every four years.

Governmental responsibilities assumed by the Commonwealth are greater than those normally assumed by a state government in Hawaii, Alaska or continental United States. Municipalities which combine both rural and urban areas are the only local political subdivisions and are similar to county forms on the mainland. The Commonwealth Government assumes responsibility for a number of important functions normally performed by local governments in the continental United States. Among these are police and fire protection, education, all major street and highway construction, and public health programs. In addition, the Commonwealth and municipal governments are relieved, by the Water Resources Authority and the Aqueduct and Sewer Authority, of most of the responsibility for constructing and financing electric, water and sewer systems. The bonded debts of these two public authorities are supported entirely by revenues derived from their respective operations.

### Security—Commonwealth Bonds

The bonds issued by the Commonwealth are general obligations bearing its full faith and credit pledge. Pursuant to Article VI, Section 8, of the Constitution, the principal of and interest on the public debt of the Commonwealth constitute a first charge on all revenues of the Commonwealth. The Constitution also authorizes suit against the Secretary of the Treasury if he fails to comply with the first charge on revenues provision of said Section 8. Significantly, the State of New York makes a similar provision for its bondholders. Generally, part of the importance stems from the legal inability of suit by bondholders against a state which has not granted permission to be sued.

All Commonwealth general revenues are deposited in the General Fund of the Treasury and the general obligation bonds are payable therefrom. Property taxes presently amount to approximately 6% of total Commonwealth revenues and, as a matter of policy, the Secretary of the Treasury applies the proceeds of property taxes to the bond interest and redemption accounts. Such redemption accounts, as of Oct. 31, 1961, amounted to $22,307,224 or 1.4 times debt service for fiscal 1961-62. In addition, to insure

# Use Computers to Calculate Public Utility Prospects

Computers are now being employed in a unique and highly sophisticated form to calculate future common stock earnings of America's public utility companies, it is announced. Photo shows Lloyd S. Coughtry (left), partner in charge of research at Bear, Stearns & Co., New York City, pointing to item in Bear, Stearns' new "Electric Utility Earnings Projections, 1962-1965" in discussion with Mrs. Rita Singer and Philip Allatta, utility analyst. The report represents the end product of the new computer program which, utilizing 200 items for each of the nearly one hundred utility companies, provides projections of earnings in 30 minutes contrasted with about 200 man-hours previously required for calculating such earnings.

that revenues are available for the payment of bonds, provision is made in each act authorizing the issuance of bonds for the levy of an unlimited ad valorem tax on all personal and real property not otherwise tax exempt if sufficient funds are not otherwise available.

A limitation on incurring public debt is important from a bondholder's viewpoint and the Commonwealth has a Constitutional limitation regarded as being realistic. Specifically, it provides that no direct obligations of the Commonwealth evidenced by full faith and credit bonds and notes of the Commonwealth shall be issued if the maximum payment of principal and interest thereon in any fiscal year shall exceed 15% of the annual revenues of the Commonwealth, averaged for the last two fiscal years. Revenues for this purpose are defined as those which are raised under the provisions of Commonwealth legislation, and deposited into its Treasury in the two years next preceding. Certain revenues, such as excise taxes on offshore shipments, the Customs, which are collected by the U. S. Government and returned to the Commonwealth Treasury, are not included as revenues for the purpose of calculating the debt limit, although they are available, once received, for the payment of debt service. This particular debt limitation is appreciated from a businessman's viewpoint since it is related to the ability to pay debt service and is based on actual revenues earned and received.

**Security—Municipality Bonds**

The bonds issued by the municipalities are general obligations, for the payment of which the full faith, credit and unlimited taxing power of the respective municipality is pledged. In contrast to the Commonwealth, the income of the 76 municipalities existing in Puerto Rico is predominantly obtained from property taxes and the applicable debt limitation is established at an amount equal to between 5%, in the case of the smaller municipalities, and 10%, in the case of the larger municipalities, of assessed property valuations. The Commonwealth exercises substantial supervision and control over municipal fiscal matters and, therefore, all property tax collections and debt service funds are administered directly by the Secretary of the Treasury of Puerto Rico.

The individual calibre of each municipality's bonds must be established by research applicable to the particular municipality's resources and economic outlook. The larger municipalities such as San Juan, Ponce and Mayaguez are well-known and popular among investors. Other municipalities, although they may represent strange names to the uninitiated and issue small amounts of bonds, similarly present situations of good yield with good security.

**Security—Authority Bonds**

The largest public authority is the island-wide Puerto Rico Water Resources Authority, a public body which produces, transmits, distributes and sells over 99% of the electric consumed in Puerto Rico. Its bonds are payable solely from the revenues of the Authority's electric system. The Authority is recognized to be an outstanding publicly owned integrated distributor of electric energy in the United States, exceeded in size only by the City of Los Angeles Department of Water and Power, and possessing an impressive history of growth, partly illustrated by the following:

| | 1946 | 1956 | 1961 |
|---|---|---|---|
| Net Utility Plant | $34,479,626 | $146,838,595 | $286,428,099 |
| Electric Revenues | 5,764,058 | 25,215,538 | 45,303,522 |
| No. of Customers | 124,959 | 314,853 | 435,019 |

Other Puerto Rican public authorities and companies, much smaller in size than the Water Resources Authority but nevertheless continuing to grow, include the Aqueduct and Sewer Authority, the Ports Authority and the Industrial Development Co.

Each separate authority must be judged by the many factors commonly utilized to evaluate this particular form of governmental body, including historic and estimated future growth and revenues. The institutional buyer, being a professional competently and dispassionately able to evaluate and compare revenue bonds of issuers located throughout the nation, is responsible for much of the response to recent sales of new Puerto Rican authority issues.

**Future Aspects**

Although Puerto Rico has benefited from substantial economic expansion already achieved, economists and other social scientists foresee significant further growth. Incentives, such as initial income tax and property tax exemptions, assistance in recruiting and training employees, technical advice, the construction and lease of factory buildings financed by governmental agencies, and an ideal climate, continue to encourage industry to locate new plants in Puerto Rico.

New commercial activities, such as tourism, are evolving. Governmental borrowing through issuance of bonds is expected to continue and, with continued exposure to the investing public, Puerto Rican bonds are expected to become better known and understood. One segment of the investment public considerably uninitiated in purchasing Puerto Rican bonds, as yet, is the individual investor but, as more publicity develops, it is felt that individual investors will also respond. Incentive for such response may be the tax exemption features. In the case of the recently-issued Puerto Rico Water Resources Authority, Electric Revenue Bonds (Series 1962-Refunding), dated July 1, 1962, issued as serials maturing in designated amounts from 1964 to 1988, inclusive, and rated "A" by Moody's, for example, the 1990 maturity was priced by the underwriter to yield 3½% tax free. In order to obtain a comparable tax-free yield from a taxable bond after payment of U. S. income taxes, an individual in the following individual taxable income brackets would have to hold a taxable bond yielding, before taxation, as follows:

| Individual Taxable Income Brackets | Income Tax Rate | Exempt Authority Bond Yield | To Provide Equivalent Tax Free Return, Taxable Bond Must Yield |
|---|---|---|---|
| $10M- 12M | 38% | 3.50% | 5.65% |
| 14M- 16M | 47 | 3.50 | 6.60 |
| 20M- 22M | 56 | 3.50 | 7.95 |
| 32M- 38M | 65 | 3.50 | 10.00 |
| 90M-100M | 87 | 3.50 | 26.92 |

In addition, if the individual has income taxed by a state or municipality, savings increase because of Puerto Rican bond exemption from such taxation.

For a closing example of recent recognition granted to Puerto Rican governmental securities, we note the remarks of the Governor of the State of New York who, in approving legislation permitting fiduciaries in New York State to invest trust funds in obligations of the Commonwealth, its municipalities, and its revenues — supported authorities on the same basis as such investments are permitted with respect to obligations of States and their subdivisions, stated:

"The obligations of Puerto Rico, its political subdivisions, and its public authorities have been considered to be of the highest investment quality. It is appropriate that Puerto Rico, for the purposes of fiduciary investments, should be treated the same as any state of the United States. Not only will these bills provide sound investment opportunities for fiduciaries, but they will also assist and give deserved recognition to the Commonwealth of Puerto Rico in its dynamic efforts to advance economic and human progress for its residents."

# Puerto Rico Bond Issue Offered To Investors

First National City Bank, Chemical Bank New York Trust Company, and The First Boston Corporation are joint managers of an underwriting group which on Sept. 26 purchased $30,000,000 Commonwealth of Puerto Rico Public Improvement bonds, due July 1, 1964 to 1986, inclusive. The group bid 100.0867 on coupons of 4¼%, 3%, 3¼% and 3.40%, setting a net interest cost of 3.2660% to the Commonwealth.

On reoffering, the bonds are scaled to yield from 1.85% out to a dollar price of 99½, according to maturity.

Other members of the underwriting group include:

Banco Popular de Puerto Rico; Lehman Brothers; C. J. Devine & Co.; B. J. Van Ingen & Co., Inc.; Smith, Barney & Co.; Blyth & Co., Inc.;

Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Smith Inc.; The Philadelphia National Bank; Mercantile Trust Co.; Continental Illinois National Bank & Trust Co. of Chicago; and Carl M. Loeb, Rhoades & Co.

# Maudling Plan Seeks More Liquidity Sans Devaluation

By Paul Einzig

**The Maudling plan is criticized for its Keynesian propensity to grant automatic liquidity to countries running a persistent deficit. It is praised, however, for implicitly revealing, contrary to U. S. A. assertions, that the U. K. government was not behind the recent spate of rumors pressuring for gold-devaluation. Dr. Einzig points out the unquestioned need to neutralize hot money movements but avers there are serious questions as to the advisability of allowing, as under E. P. U., deficit countries to run up deficits with impunity over a long period without undertaking domestic discipline.**

*LONDON, England* — During the last two or three years most of the best brains have been preoccupied with an attempt to devise means for increasing international liquidity. As a result we had the Triffin Plan, the Bernstein Plan, the Stamp Plan, the Zolotas Plan and a few other plans. Now we have also the Maudling Plan which has the additional distinction of being put forward officially if tentatively by a Chancellor of the Exchequer in office. Its substance is that surplus countries should be willing to hold currencies of deficit countries through the intermediary of the International Monetary Fund until the latter succeed in balancing their accounts. The plan was put forward in a deliberately vague form and its analysis has to await the appearance of more precise details. For the present the plan can only be judged according to one's attitude towards two basic questions:

(1) Whether international monetary liquidity is really inadequate.

(2) Whether it is really a good idea for surplus countries to underwrite the adverse balances of deficit countries.

Mr. Per Jacobsson, on behalf of the International Monetary Fund, and Mr. Robert Roosa on behalf of the United States, pronounced themselves against the need for further action to increase international monetary liquidity. In their opinion the recent increase of facilities available at the I. M. F. and the bilateral currency arrangements made by the United States with a number of countries have provided adequate additions to international monetary resources to meet present requirements. France and West Germany are known to be opposed to any further international expansionary devices. It seems, therefore, that Britain is pursuing a Keynesian tradition by being at the spearhead of the movement in favor of international monetary expansion.

### Maudling Plan Aims at Persistent Imbalances

Those opposed to further measures are inclined to assume, at any rate by implication, that the recent measures and their possible extension, would take care of the disturbing effects of international hot money movements. The Maudling Plan has more ambitious aims. It wants to take care of the effects of adverse trade balances on exchanges. While there can be no two opinions about the need for finding means for neutralizing the effects of hot money movements, there is indeed room for two opinions about the relative advantages and disadvantages of a system under which the effect of persistent adverse trade balances is automatically neutralized.

Under the gold standard such adverse balances tended to produce their automatic correctives in the form of a contraction of credit in deficit countries and an expansion of credit in surplus countries, leading to a reversal of a trend of trade between them. Under the Bretton Woods system of gold standard there is no such automatic adjustments, but the need for supporting the exchanges against the effect of a persistent trade deficit on the reserves tends to induce governments to resort to measures substantially similar to those that developed automatically under the old gold standard. The object of Mr. Maudling's plan is to do away with that necessity and to enable deficit countries to run up deficits with impunity over a long period.

The same system was applied within a limited sphere under the European Payments Union. The result was that Britain and France in particular became heavily indebted to Germany and other surplus countries. It will take years before Britain will repay the last instalment due under the liquidation of that scheme. Had it not been in operation the governments in office would have had to take the necessary steps in good time to ensure the elimination of the adverse balance. It was very pleasant for them to have been enabled by the E. P. U. system to avoid doing so, but the price has to be paid sooner or later. Nor is it certain by any means that it will be more convenient to pay the deficit in relation to the E. P. U. in the 'sixties than it would have been to settle it in the 'fifties.

### Shows U. K. Does Not Seek Gold-Devaluation

For one point of view Mr. Maudling's plan may have a beneficial effect. The effort to increase international liquidity by the application of the plan put forward by Mr. Maudling shows that there is no foundation for allegations that the British Government wants to increase international liquidity by means of an all-round devaluation. The view is understood to be firmly held in the United States Treasury that official quarters in Britain encourage the aggressive advocacy of dollar devaluation in the British press. In this respect history appears to repeat itself. In 1949 British official quarters were convinced that the American press campaign in favor of a devaluation of sterling was inspired by the United States Treasury. Whether that was true or not I am not in a position to say. But I have come across no evidence whatsoever to indicate that official British quarters encourage the publication of articles canvassing a dollar devaluation.

It is, of course, well known that Mr. Macmillan himself is an expansionist. But his approval of Mr. Maudling's plan seems to indicate that he is in favor of paving the way for expansion by other means than by dollar devaluation.

# FROM WASHINGTON ... Ahead of the News

*BY CARLISLE BARGERON*

During the 1960 Presidential campaign Senator John F. Kennedy charged that the Federal payroll had expanded to an all-time high under the Eisenhower Administration.

"They have added 106,000 new Federal employees. I think it is about time the American people knew," the young senator declared indignantly at an airport rally at Roanoke, Va.

Since that time as Kennedy has been President, he has been strangely silent on this issue—and for good reason. During the first year of his administration, 76,900 new employees were added to the Federal payroll, and present plans call for an additional 100,000 workers by July 1, 1963.

At last count 2 million civilians held jobs in the various government departments, bringing the additional payroll to the $1.4 billion mark.

Even though President Kennedy has chosen to overlook these facts, a few members of his own party are aware of the problem.

Not long ago Secretary of Commerce Luther Hodges engaged in unpardonable heresy when he said taxpayers' money could be saved by eliminating what he called "deadwood" from the Federal payroll. Hodges told the House Post Office and Civil Service Committee that in his department alone at least 10% of the workers are doing jobs started 40 or more years ago and are no longer needed.

But Hodges, holding as he does a top Cabinet post, was quickly pulled back under the blanket of censorship. Shortly after he stunned the bureaucracy with his testimony before the committee, he assured his employes that none need fear losing his job if he is doing satisfactory work on the Administration approved program. Hodges renewed departmental morale by hiring 1,600 new employes a month later.

A more persistent critic of the bureaucratic sprawl is Senator Allen J. Ellender, D. of Louisiana, who didn't hesitate to cite the reasons for the problem at a recent meeting of an Appropriations Sub-committee.

"It is common knowledge," Ellender said, "that when a new Administration comes in, every new person who is not on civil service will want his own stenographer and his own this and that around him.

"Under civil service rules and regulations the former employes cannot be discharged or thrown out. So, the new man will pick his own people and let the others fiddle around in a corner somewhere. That is what makes these agencies grow so fast. There ought to be some way to stop it."

Ellender also complained of complacency among government employes: ". . . when a great number of people are brought into the Civil Service, they frequently begin to feel that the government owes them a job for the rest of their lives. After a little seniority has been built up, a feeling of relaxation often sets in, and little effort is made to justify their pay checks."

"In my opinion, the work force of many government agencies could be cut by a healthy 15 or 20% without any danger that the remaining employes would suffer from overwork."

# Award Medal to Rickenbacker

Wall Street Post No. 1217 of the American Legion presented its Bill of Rights Defense Gold Medal to Captain Eddie Rickenbacker at ceremonies held Sept. 25, the 173rd anniversary of the adoption of the Bill of Rights. The award was made to Captain Rickenbacker, Chairman of the Board of Eastern Airlines, because of his continuing strong defense of individual freedom and the free enterprise system.


Eddie Rickenbacker

This was the 20th gold medal award which has been presented by the Wall Street Post.

Col. Oliver J. Troster, Troster, Singer & Co., New York City, is President of the Bill of Rights Commemorative Society and a past Commander of the Wall Street Post.

# The Expected Demand For Nonferrous Metals

*By* Charles R. Ince,* *Vice-President and Sales Manager, St. Joseph Lead Co., New York City*

**Industrialist's probing of the sales outlook for leading nonferrous metals leads him to believe the sales outlook may shape up as follows: lead—fair to moderate; zinc—good; copper—moderate to good; and aluminum—good. Other than an adverse turn of the business cycle, the only overhanging threat is said to be the Government's disposition of its strategic stockpile.**

When I last addressed this group three years ago, we were in the midst of a steel strike and our industry was trying to evaluate the impact of an undue prolongation of that strike on the consumption of our metals. As events turned out, the steel stoppage of 1959 was an extended one, lasting into December, and the full effects were not felt until the following year when durable goods manufacture, with which our nonferrous metal industry is closely associated, declined steadily from a Federal Reserve Board Index of 110 in the beginning of the year to a low of 95 in December. It was not until the second quarter of 1961 that an upturn developed which carried into the first half of this year.

Charles R. Ince

At this time we are trying to evaluate the impact of a steel strike that didn't take place. It is now apparent that the threat of another major steel strike led to considerable stocking up on the part of steel consumers, and gave an artificial impetus to steel production and related durable goods industries, which could not be sustained when a no-strike settlement was reached. If it hadn't been for the excellent showing of the automotive industry, the consumption figures for most of the non-ferrous metals would make sorry reading since the first quarter. As it is, we seem to have reached a plateau of activity in durable goods production, and it is too early to say whether there will be a slide off from that level or a rise during the balance of the year. Whichever course develops, it will probably carry into next year and be a major factor in determining the overall trend of the nonferrous metal industry. With this general background we might take a look at the position of some of the individual metals.

### Outlook for Lead Sales

Lead, which has been enjoying a moderate improvement in consumption of 4% over last year's 1,022,000 tons, should continue to further expand its usage during the coming year. Unlike some of the other nonferrous metals, lead is more closely related to the running of automobiles rather than their manufacture, since the two largest outlets for the metal are the battery industry and the tetraethyl lead for high-octane gas. Battery production, both new car and replacement, has been running above last year's peak, and tetraethyl lead consumption has also been establishing records. Not only is the TEL content of both regular and premium gasolines higher than it has been for several years, but the proportion of sales of regular gasoline, with lower octane rating, has not increased despite the impact of the compact car.

The other long-established uses of lead do not show expansion possibilities in the near future, and in the case of cable sheathing, they even continue to lose some of its markets to competitive materials. On the other hand, some of the newer applications of the metal, such as its use in sound attenuation, vibration absorption, and radio-active shielding have excellent growth potentials. The prospects for lead sales are for a continued moderate rise of 4% to 5% during the coming year, unless there is a sudden break-through in commercialization of one of the newer applications.

Zinc has experienced a substantial improvement over last year, and for the seven months domestic shipments have been running 20% above last year's rate of 910,000 tons for the year. The decline in production of zinc-coated sheet has been more than offset by the increase in use for die castings, chiefly automotive. Both continuous-galvanized sheet and functional, as well as ornamental, die castings continue to be growth industries and should contribute a further expansion in sales of about 10% during the coming year. Aside from improving surface finishes of zinc, new applications such as zinc anodes for corrosion protection, new lithographic processes employing zinc, and powder metallurgy applications developed by the expanded research program of the Zinc Institute, also will be a factor in improving the sales outlook.

### 1963 Rise for Copper

Deliveries of copper to domestic fabricators in the first seven months of 1962 averaged about 11% above the average monthly rate for 1961. As 1961 deliveries, in turn, were 12% higher than the average monthly rate in 1960, it is apparent that the copper industry has had an exceptionally strong recovery from the 1959-60 recession lows. At the moment, however, the sales outlook is less bright. Buyers have turned cautious, influenced by the break in the security markets last spring and by the heavy outpouring of copper scrap that began in May and has continued since. Scrap dealers are notoriously quick to sense turns in the business picture. While they are not always right, they are right often enough so that an increase in their offerings will usually cause consumers to become concerned over a possible change in price. Looking beyond this year, the domestic sales outlook for copper will obviously depend on general levels of business activity to a considerable extent.

If past experience is any guide, it would be unusual in the domestic copper industry to see three consecutive years of sharply rising deliveries to fabricators. However, there are currently factors in the picture that indicate 1963 may well be an exception. One is the government's missile program which involves a large expenditure for copper wire and cable linking the various missile sites. This program began in earnest about a year ago, and apparently has quite some time to run. The rate of procurement appears to be accelerating. A second factor is the success the copper industry has had in introducing copper as the desired material in the soil-pipe field, an area in which other materials have long had a monopoly. Assuming that business as a whole levels off in 1963, so that the entire year approximately equals 1962, a gain of 3% to 5% in deliveries of refined copper to domestic fabricators may reasonably be expected. As 1962 is likely to set a peacetime record for copper deliveries, that would mean still another record in 1963.

### Aluminum Sales Marred by Earnings

The aluminum industry appears to be going strong. Production and shipments are setting new records this year. Both the industry and government estimate that domestic primary production this year will exceed 2.1 million tons, or more than 5% ahead of 1960, the previous record year, and 12½% ahead of last year. The aluminum industry seems confident of being able to dispose of this record supply. Shipments to consuming industries are estimated for the year at between 2.5 and 2.75 million tons. These shipments, it is believed, reflect consumption and not any significant inventory building. Inventories throughout the industry are indicated to be comfortably lean, neither producers nor consumers are carrying excessive stocks.

Under these conditions, the comparative shipment statistics do not fully reflect the gain in consumption. The previous peak year for shipments, 1959, was a period of inventory building because of strike and price rise fears. Consequently, 1959 shipments of slightly less than 2.5 million tons were less of a consumption indicator than are this year's shipments. With production and shipments at good, high levels, the aluminum outlook is clouded only by its earning picture. The competition continues to be so heavy that prices have not improved as much as shipments have. Profits are up over last year's level, when return was about 5% on sales and only 4% on invested capital. The industry is hopeful that the financial picture will continue to improve, particularly in the light of the high level of operations already reached. Looking ahead, aluminum expects to continue its marketing pattern: Enlarging present markets and opening up new ones.

In summarizing, to use the vernacular of the TV weather experts, I would be inclined to forecast the sales outlook for these four metals as follows: Lead—fair to moderate; Zinc—good; Copper—moderate to good; Aluminum—good.

Overshadowing the sales outlook for all four metals, but particularly lead and zinc, is the threat of U. S. Government stockpile disposals. A substantial portion of these stocks have now been declared surplus. We do not know what considerations entered into this declaration. The threat of war and the problems of rehabilitation of the economy thereafter, if a war occurs, seem greater to us now than at the time the metals were accumulated. Under previous administrations these stockpiles were "locked-up" for use only in a national emergency and release of metal from them was subject to Congressional approval. It appears that the Congressional investigation of the stockpile and its disposal may be politically motivated. In these circumstances, it is difficult to predict the extent to which the interests of the country and the industry will be safeguarded.

*From a talk by Mr. Ince before the 10th annual marketing conference of the National Industrial Conference Board, New York City, Sept. 19-21, 1962.

## Singer, Bean Philadelphia Br.

PHILADELPHIA, Pa. — Singer, Bean & Mackie, Inc. have announced the opening of a branch office at 121 South Broad Street under the direction of Jack Christian and James B. Flanigan. Mr. Christian was formerly in the trading department of Janney, Battles & E. W. Clark, Inc. Mr. Flanigan was with Jennings, Mandel & Longstreth.

Jack Christian

# Problems and Procedures In Marketing Municipals

*By Arthur E. Kirtley,* Vice-President, The First Boston Corporation, Chicago, Illinois*

**Syndicate members' problems revolving around such matters as preferences, position and allocation, and the managing underwriter's concern in getting the distribution off to a good start are discussed by Mr. Kirtley. Reference is made to the phenomenal rise of municipal financing; to the work by the IBA and others to improve the marketing of tax-exempts and the reduction of the assumption of risk when there is a delay; and particularly to the need for a statement defining the time of official award following the opening of bids.**

While the Municipal Group has actively participated in and is an integral part of the 50-year old IBA, it is quite a tribute to the municipal fraternity that such a long period of years has elapsed without apparent necessity for a special municipal division conference. Our practices and procedures obviously have some very solid foundations created slowly and carefully since origin of municipal financing. Recent years have registered such an expanding volume that it is timely to meet for a review and discussion of some of our problems and procedures.


Arthur E. Kirtley

A few generalities regarding history of municipal borrowing would appear to be in order so here are a few brief highlights with approximate dates and round amounts. In 1820 the Federal Constitution deprived states from issuing money. In approximately that year the first state bonded or funded debt began to appear. For nearly 100 years such state debt did not exceed an outstanding amount of $400 million. It is somewhat startling to view that figure in comparison with single new issues common in today's market.

It would probably be hard to prove the date of the first borrowing by a municipality. Today's largest borrower, New York City, is reported to have marketed its first bonds around 1828. It has outstanding today some very long maturities of assumed bonds issued in 1868. These dates I obtained from records — not from memory.

### Recent Sharp Expansion

To indicate the sharp expansion in volume of business, here are some figures on outstanding total state municipal debt for various years:

| Year | Amt. Outstanding |
|---|---|
| 1913 | $4½ billion |
| 1920 | 8 " |
| 1940 | 20 " |
| 1950 | 23 " |
| 1957 | 50 " |
| 1961 | 71 " |

The 1961 total represents almost a 50% increase in the last four years. New borrowings alone in 1961 totaled $8½ billion represented by nearly 7,000 issues — and in the first six months of 1962—$5 billion with 3,400 issues.

So, the industry has done a remarkable job, gearing to this rapid volume increase and, in routine stride, accomplishing the processing and distribution of this total. The future promises a continuance of expanding volume with more work in prospect for underwriters and distributors.

By reason of committee assignment I have had opportunity to listen and discuss the management procedure relating to members' position, allotments and many other problems of the municipal industry. I am sure there will be many specific subjects brought up at this conference.

There are bound to be recurring problems in an industry such as ours, but basically we must accept the fine ethics and high degree of trust represented in our operations. We must also recognize the long history during which syndicate and distribution policies have developed to a point of general acceptance.

The managing underwriter must be given reasonable freedom of judgment. However, he has no special privilege as compared with other members of an account for he is clearly in a position of trust, representing the interests of the entire account membership. Individual preferences for, divided versus undivided accounts, management fee, clearance fees, appear to me to be the privilege of the individual member and on preferences such as the above, it is questionable that there would be any uniform agreement.

### Allocating Bonds

The matter of a member's position in a syndicate account is a competitive problem and every firm is confronted with the necessity of trying to improve his position to a point of satisfaction. The problem of allotting bonds will always exist, and there is no magic formula by which a manager could please "all of the people all of the time." Likewise, it must be recognized that a good syndicate manager is vitally concerned always in geting a deal off to a proper good start. The recognition of syndicate orders and designated orders contribute to that successful start and stimulate the distribution of additional bonds. These points will require some careful discussions with a frank interchange of ideas, but at the start, I honestly believe there is a very broad area of agreement on management procedure and fairness of the manager, with perhaps only a minor area of disagreement.

We hope as a result of these conference meetings to attain better mutual understanding and appreciation of the problems of various segments of the municipal industry. Whenever a member feels he has a rightful complaint in a specific account I would feel that it should be discussed directly with the syndicate manager and I do not feel that matters of such a nature are any special problem relating to the overall industry.

### IBA Improvement Measures

A great deal of work is constantly being done by the IBA, individual members and local municipal groups to co-ordinate and improve the marketing of municipal bonds. In 1960 many constructive suggestions were consolidated by the IBA Municipal Securities Committee in a printed pamphlet. Every effort should be made to obtain general acceptance of these suggestions. We are particularly concerned over the unreasonable risk involved on new issues where the successful underwriting group is not given assurance of a final delivery date. Situations develop periodically where, because of legal proceedings or other developments, the actual delivery is unreasonably delayed. With the possibility of customer cancellations, adverse market developments, indefinite delivery can be embarrassing and very costly to the underwriters. Every notice of sales should contain a clearly defined clause to the effect that the purchaser is granted an option to cancel his obligation and to receive prompt refund of the good faith deposit if the issuer fails to make delivery by the specified date.

The casual "when, as and if" applied to a large commitment can on occasion prove to be a long, long time—my own corporation is highly conscious of this intangible risk and I cannot justify our industry assuming it—underwriting and commitments involve numerous elements of risk in the normal pattern of our business and we do not need any extras — the issuer will benefit by wording his notice of sale in a manner to satisfy all bidders — only a small percentage of new issue volume is today placed in the local areas of the issuer—terms of a notice of sale if outlined in a manner to satisfy the national group of bidders should result in the best interest of all issuers.

Along with the foregoing we want to see a statement defining the time of official award following opening of bids.

*From a talk by Mr. Kirtley before the First Municipal Conference, Chicago, Ill., Sept. 11, 1962.

# Investment Bankers Association Receives Officers' Slate for 1963

WASHINGTON, D. C.—Amyas Ames, Partner, Kidder, Peabody & Co., New York, has been nominated for President of the Investment Bankers Association of America, announced Curtis H. Bingham, current President of the Association and President, Bingham, Walter & Hurry, Inc., Los Angeles. The announcement was made following the Fall meeting of the IBA Board of Governors, Sept. 19-21, Santa Barbara Biltmore Hotel, Santa Barbara, California.


Amyas Ames


David J. Harris


Lloyd B. Hatcher


William T. Kemble


James H. Lemon


George J. Otto

Named with Mr. Ames were the following nominees for Vice-President:

David J. Harris, Bache & Co., Chicago; Lloyd B. Hatcher, White, Weld & Co., New York; William T. Kemble, Estabrook & Co., Boston; James H. Lemon, Johnston, Lemon & Co., Washington; and George J. Otto, Irving Lundborg & Co., San Francisco.

Mr. Kemble and Mr. Lemon were nominated for second terms; they have been Vice-Presidents since December, 1961.

Mr. Harris was nominated for a third term; he has been a Vice-Preident since December, 1960.

The Association will act on the slate at its Annual Convention, November 25-30, 1962, at the Hollywood Beach Hotel, Hollywood, Florida. Nomination is tantamount to election. The new president and the vice-presidents will be installed on Nov. 29.

# Manley Bennett, McDonald Merging

DETROIT, Mich.—Manley, Bennett & Co., Buhl Building, members of the New York and Detroit Stock Exchanges, and McDonald-Moore & Co., members of the Detroit and Midwest Exchanges, will be consolidated under the name of Manley, Bennett, McDonald & Co., effective Oct. 4.

Harry A. McDonald and Joseph F. Gatz, partners of McDonald-Moore & Co. will become partners in the firm as of that date.

# The Market . . . And You

*BY WALLACE STREETE*

With the stock market's latest tendency to break away from a narrow range, opinion seems more divided than ever as to its eventual course for the next few weeks.

Two sharp breaks in three days have failed to convince many analysts that the declines are anything more than technical. But other market observers are not so sure.

Some Wall Streeters see further testing of the 580-area of the Dow-Jones industrials while others predict a fairly early setback to the low point of 525 of last Spring.

**Bulls' Optimism**

And yet optimism remains unbounded among the bulls. One well-known analyst expects the August highs (the 620 range), to be topped "within the next few weeks."

Meanwhile the market appears to show more life. The first five million share day in 2½ months found stocks staging a slight recovery when hopes of the more faint-hearted investors had been dashed.

A smart recovery the following day amid a dearth of good news appears more technical than real. Few analysts are convinced that a new sustained climb is in the making. More and more it resembles a three step back and a two and a half step forward market for the time being.

**Ebbing Appeal**

This market also appears to hold little appeal for few investors but the professional trader. The blue chips look pale and the glamour stocks show little tendency to lure new followers. Even the utilities look less attractive despite a new gadget that a large Wall Street house claims can pinpoint earnings for the next three years.

The business news meanwhile holds little encouragement for the start of a new advance.

Steel production moved up slightly last week, but the outlook for an improved showing for a medium-term is fading. Even Big Steel's President has lowered his sights for 1962 production.

**Dismal Steel Picture**

Leslie Worthington of U. S. Steel sees output barely reaching 100 million tons this year and a likely smaller total next year. Another steel executive, Robert E. Williams of Youngstown Sheet & Tube, has openly forecast a business downturn of "relatively moderate" proportion to start in the first quarter of 1963.

His estimate that steel output may fall to 94 million tons next year can hardly be expected to spur a rush to steel stocks. But there is one bright note for the cyclically sick ingot industry if another of Mr. Williams' predictions is borne out. He sees a depressed steel consumption cycle that started in 1958 likely to end sometime next year.

Meanwhile, steel stocks drag along near their lows. Dividends continue to cause concern. One underlying fear of Washington intervention appears to have dissipated with news that a Congressional Committee has decided to take off the heat on its data probing.

**Support for the Motors**

Motor stocks continue to attract a lot of support. Interest in the new models has spurred Detroiters to issue their usually optimistic statements. But there are signs that the public may not react as enthusiastically. Detroit has not been able to put two high sales years back to back since the days of the post-war shortages.

Auto buyers this year may also balk at Detroit's attempts to raise prices by dropping some lower-priced models and substituting more expensive equipment. The end result is the public may wait until next year or force bigger concessions. Extensions of warranties (General Motors has gone to two years, or 24,000 miles) could signal some concern.

Elsewhere, retail sales continue strong. Department store sales are running well ahead of 1961 but new orders for hard goods have fallen behind. Demand also seems sluggish for the big ticket items which are usually the most profitable.

**Retailers Neglected**

Retail stocks are still largely out of favor. Gimbels and Macy's are close to their lows for the year, although Macy is making a better showing in the low 50's. Korvette continues to hit the most active list regularly although it too is far from the year's high.

**Slight Short Interest Drop**

Short interest figures showed a slight drop but not enough to elicit an encouragement for the bulls or the bears. The 5.4 million shares of the shorts at the last count high by any standard yet the urge to replace the borrowed stock in the near future undoubtedly won't be as great.

Part of the increased action of recent days has been ascribed to window-dressing by the mutual funds for their Sept. 30 quarterly reports. There is no question of more activity by the institutional traders. But just how much is hard to determine.

One field unquestionably favored by the institutions is oil. Earnings remain high and prospects good despite continuance of price weakness at the retail level. Yet Gulf's dividend increase failed to have any immediate price reaction.

Oils remain popular on the American Exchange where take-over rumors are nearly a daily occurrence. Royalite, a strong contender for a take-over by British-American, Gulf's Canadian affiliate, has been active but steady in its 13-14 range.

Although the market still appears fairly sluggish by former standards, it is showing signs of nervousness. Or at least some of it followers are.

One of Wall Street's most erudite commentators took the trouble during Monday's early sell-off to send a flash that the whole thing came as a complete surprise. His impression that fear of war with Cuba could have been the force behind the surprise found ltitle support elsewhere.

**Tax-Selling Impact**

One area of agreement on the street is the emergence of tax-selling. Already heavier than in recent years for this time of year, it is expected to climb to the heaviest amount of possibly a generation.

Brokers also expect to see caution and nervousness manifested in considerable switching for the balance of the year. Further predictions of a '63 recession (and these will probably appear more frequently) will undoubtedly spur selling of more volatile issues for defensive stocks.

**Stir in Farm Implements**

Amid the scramble for good, safe stocks with better than average profit potential, a few analysts are taking a careful look at farm implement issues. International Harvester has already reported a 12% gain in profits for the nine months ended July 31 and expects to turn in nearly the same margin for the full fiscal year.

Harvester's sales, up 9%, are expected to hold for the full year unless farm income falls precipitously next month. Farm income for the year is likely to rise 1% despite continued sharp declines in farm employment. Allis-Chalmers reports its farm equipment sales up 12% this year from 1961.

Harvester common is currently drifting close to its low for the year of 44¼. Deere & Co., the second half of the farm equipment's Big Two, is also showing considerably higher profits and sales for the year. Its common in the mid-40's is also barely above its low for the year.

By odd coincidence, Harvester and Deere topped out within a quarter point of each other earlier this year with highs of 57½ and 57¼ respectively.

Two other fram implement makers, J. I. Case and Massey-Ferguson (Canada's largest) are about mid-way between their highs and lows for the year but have attracted much less investor support. Case trades around 6 although inactively on the Big Board while M-F holds around 10 on the American.

**Interest in Chemicals**

Chemicals, another important farm item, are showing up better in the market letters although not on the board. Du Pont, Allied, and Dow retain a lot of popularity with the institutions, especially the funds. All three are down sharply from their highs as are most stocks.

Du Pont, now around 200, is well below its high for the year of 254, but only off 9% from a year ago. This latter showing looks much better when compared with performance of many other blue chips in the Dow industrials.

Only five of the 30 were selling above the year-ago price of late September while 15 issues were 19 to 50% lower.

*[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.]*

# Our Reporter on GOVERNMENTS

*BY JOHN T. CHIPPENDALE, JR.*

The announcement that the Federal Government will try out the corporate and tax-exempt method of selling bonds to the investing public might result in sizable amounts of Government bonds finding a home in the hands of the ultimate investors. If the Government really wants to sell its bonds to investors other than the deposit banks it seems as though this is the way to do it. There is no question but what the competition will be keen but, if there is incentive enough in this form of competitive bidding, Government bonds should be well placed with the permanent investors. This would be the best way to finance a sizable Government deficit without creating new deposits and new purchasing power and inflationary pressures.

**Long Overdue**

The news that the Treasury will give a try to a competitive bidding method in the sale of long-term Government bonds in the not distant future was a modest surprise to the financial district. There had been talk about the Treasury giving consideration to this new way of distributing Government bonds, but there was nothing much very definite as to whether or not it would become a reality this year or next.

Ever since the 4¼% of 1987/92 was put out by the Treasury—and it turned out to be pretty much of a flop—there has been considerable discussion in financial circles that the Treasury should have some one do a real merchandising job on their long-term debt offerings so that more than token amounts of these issues would be sold to the investing public.

**Treasury Bonds Should Command A Premium**

To begin with, a long-term United States Government bond is the very highest credit available and the starting point from which to measure or rate all other bonds which are being offered or are outstanding whether they be corporates or tax-exempt obligations. There is no question but what a long-term Government bond should command a real premium as far as price, yield or rating is concerned, over any other bond that may have been or will be offered by any other borrower. This premium is generally referred to as a yield differential and, according to most financial experts, it should amount to at least 50 basis points in favor of the Government bond. In other words, if a United States Government bond is selling to yield 4%, the highest rated corporate bond should be selling at a price to give a yield of 4.50%.

Tax-exempt bonds, because of the non-taxable feature, cannot be compared with taxable Government bonds on a yield spread basis. However, there is no state or other municipal entity that has a credit rating that is comparable to that of the Federal Government. Therefore, it is evident that the securities of the United States Government are the ones from which all other yields or prices should be measured with the spread or differential based upon the credit rating which these other bonds are able to obtain below that of the Government bonds.

**Differentials in Yields Make No Sense**

Yield spreads of late have been practically non-existent between Government bonds and corporate bonds and between the various ratings of the latter obligations. It makes very little sense as far as yield spreads or differentials are concerned to have a Government bond, the very best credit obtainable, being offered to yield 4.19% while at the same time one of the highest rated corporate bonds was being floated on a yield basis of 4.18%. This discrepancy did not last too long because the yield differential did widen a few basis points in favor of the Government bond but not enough to express the real credit difference between these two bonds.

Even now the yield spread between not only Government bonds but also between the various credit ratings of corporate bonds is practically non-existent or so small that investors are paying almost as much for an inferior rated bond as for the higher rated issue. This is a situation in the bond market that will have to be remedied as time goes along because the lower rated issues will be sold in order to buy the higher rated bonds at or about the same yield basis.

The Treasury recently sold $3 billion of 170-day tax anticipation bills which will mature on March 22, 1963. They can be used to pay taxes on March 15 and the banks can pay for them by crediting the Treasury tax and loan account. The recent advance refunding operation made way for this and other short-term money raising operations of the Government.

# N. Y. Mun. Women Name Officers

Mrs. Betty C. Pollock, of Harris Trust and Savings Bank, has been elected President of The Municipal Bond Women's Club of New York. She succeeds Mrs. Jane N. Brownell, of Chas. E. Weigold & Co., Inc., who remains a member of the Board of Governors.

Also elected at the meeting were: Alice L. Dooley, of Ira Haupt & Co., Vice-President; Virginia Ramsdell, of Morgan Guaranty Company of New York, Treasurer; Margaret Burns, of Mercantile National Bank at Dallas, Secretary, and Charlene F. Koke, of Braun, Bosworth & Co., Inc., and Maureen T. Cates, of Kuhn, Loeb & Co., as Governors.

In addition to Mrs. Brownell, retiring President, M. Irene Prentzel, of Drexel & Co., and Rosemary Gleason, of A. G. Becker & Co., Inc., will continue on the Board of Governors.

## Dividend No. 266 distributed to 154,000 shareholders

# Standard Oil (Indiana) Earns $67 Million

### LOW PRICES CUT EARNINGS

Standard Oil Company (Indiana) total income for the first six months of 1962 rose to $1,091,431,000 – up from $1,026,602,000 for the same period in 1961. Net production of crude oil and natural gas liquids was up. Domestic product sales and natural gas sales increased. However, our net earnings were lower by $6.5 million.

Product prices throughout the industry, mainly gasoline prices, were down substantially. If we had received the same price for gasoline in the first six months of 1962 that we received in the first six months of 1961, our profits would have been about $11 million, or 31 cents per share, greater than they were. During the first half of the year, gasoline, our principal product, was selling at times below the bargain levels of 10 years ago.

Almost all of the 8.8 per cent reduction in earnings occurred in the first quarter. We are still hopeful of achieving higher earnings for the year as a whole than were reported in 1961, but it is impossible to predict the future course of prices with any accuracy.

### OPERATING RESULTS

Our net production of crude oil and natural gas liquids rose 5 per cent —from 347,000 barrels to 365,000 barrels a day.

Domestic product sales increased 8 per cent—from 684,000 barrels to an all-time high of 738,000 barrels a day.

Sales of natural gas increased 11 per cent over the same period in 1961 —from 1.68 billion cubic feet to 1.87 billion cubic feet daily. Another all-time high.

### 266TH DIVIDEND

The regular third-quarter cash dividend of 45 cents a share was paid on September 19 to our nearly 154,000 shareholders of record at the close of business on August 31. Dividends have been paid in each of the last 69 years.

### CONSOLIDATION

Our foreign operations outside North America were consolidated July 1 in a wholly-owned subsidiary, American International Oil Company, headquartered in New York City. This consolidation permits us to coordinate more effectively our overseas activities in exploration, production, refining, marketing, and the purchase and sale of crude oil.

### FOREIGN EXPANSION

We acquired petroleum rights to an area of some 13,500 square miles in central Sumatra, in the Republic of Indonesia.

Petroleum rights have also been acquired in the territory of the Mahra Sultanate of Qishn and Socotra, an independent state in the Aden Protectorate. This brings our petroleum rights in the southern Arabian Peninsula to over 76,000 square miles—an area larger than Nebraska.

In the Persian Gulf off Iran, we have completed two additional successful wells. Stepout drilling is continuing in two different fields. We hope to have our first field producing in 1963.

Overseas operations were expanded into Great Britain with the purchase of the outstanding shares of Vigzol Oil Company, Ltd., of London, England, for approximately $3 million. Vigzol's principal business is blending and marketing lubricating oil throughout the United Kingdom. We plan to broaden the company's activities in the British Isles.

**STANDARD OIL COMPANY (INDIANA) AND SUBSIDIARY COMPANIES**
**CONSOLIDATED STATEMENT OF EARNINGS**

| | FIRST SIX MONTHS | |
|---|---|---|
| **Income:** | 1962 | 1961* |
| Sales and other operating revenues | $1,079,656,693 | $1,014,058,295 |
| Dividends, interest, and other income | 11,773,827 | 12,543,227 |
| Total income | $1,091,430,520 | $1,026,601,522 |
| **Costs, Expenses, and Taxes:** | | |
| Purchased crude oil, petroleum products, and other merchandise | $ 513,486,099 | $ 466,307,457 |
| Operating, selling, and administrative expenses | 364,852,286 | 331,222,182 |
| Depreciation, depletion, amortization, retirements, and abandonments | 98,893,165 | 104,287,251 |
| Interest expense | 8,407,150 | 9,454,405 |
| Taxes, other than income taxes | 36,214,138 | 33,616,584 |
| Federal and other taxes on income | 1,920,000 | 7,537,000 |
| Total costs, expenses, and taxes | $1,023,772,838 | $ 952,424,879 |
| **Net Earnings** | $ 67,657,682 | $ 74,176,643 |
| **Net Earnings Per Average Outstanding Share** | $1.89 | $2.07 |

*Certain reclassifications of expenses have been made so as to be comparable with the classifications adopted late in 1961.

**DIRECTORY OF STANDARD OIL COMPANY (INDIANA)**
**MAJOR SUBSIDIARIES**

**AMERICAN OIL COMPANY**, headquartered in Chicago, manufactures, transports, and sells petroleum products in the United States. It markets through its Standard Oil division in 15 Midwest states.

**PAN AMERICAN PETROLEUM CORPORATION**, Tulsa, finds and produces crude oil and natural gas in the United States and Canada.

**AMERICAN INTERNATIONAL OIL COMPANY**, New York City, finds and produces crude oil, and manufactures and markets products outside North America.

**AMOCO CHEMICALS CORPORATION**, Chicago, manufactures and markets chemicals from petroleum here and abroad.

**INDIANA OIL PURCHASING COMPANY**, Tulsa, buys, sells, and trades crude oil and natural gas liquids in the United States.

**SERVICE PIPE LINE COMPANY**, Tulsa, transports crude oil for our refineries and for others.

**TULOMA GAS PRODUCTS COMPANY**, Tulsa, markets liquefied petroleum gas, natural gasoline, anhydrous ammonia, and related products.

**STANDARD OIL COMPANY** (INDIANA) 910 S. MICHIGAN, CHICAGO 80, ILLINOIS

# MUTUAL FUNDS

*BY JOSEPH C. POTTER*

## Making A Survey

It is no great chore these days to get a controversy going on economic stagnation, price-earnings ratios, the gold outflow or whether the Yankees deserve to be installed as World Series favorites. But whether you're on Wall Street, State Street or La Salle Street, don't expect to charm your associates by raising the subject of the 595-page study of mutual funds prepared by some faculty members of the Wharton School of Finance and Commerce.

It is exceedingly difficult to find anyone who has even skimmed through the study, prepared at a cost to United States taxpayers of about $96,000. And if you know anyone who has actually read it, this department would be interested in obtaining his identity.

To date, a few have been uncovered. And the Wharton people must be grateful to them for, so to say, making their survey. These readers have been coming through with comments that may yet serve to rescue the undertaking from almost complete obscurity.

Since there may be some interest within the trade in the commentaries, we hasten to cite a few:

There is the seven-minute critique of Leland M. Kaiser, presented last week at Pittsburgh to the convention of North American Securities Administrators. At 56, Mr. Kaiser is Chairman of Insurance Securities Trust Fund (assets: $781 million) and President of Insurance Securities, Inc. He calls the Wharton project "More Professional Nonsense."

Since space does not permit comment on all of these commentaries, it would not be seemly to dwell on the Kaiser view. But fundmen should waste no time in obtaining a copy of the Kaiser canvass.

Then there are the detailed comments of Charles A. Schimpff, President of the Investment Company Institute. His views on the Wharton study were set forth to the press last month and published in their entirety in the "Chronicle" of Aug. 30 (page 10).

Nor should folks in this field fail to latch on to the commentaries of Franklin B. Johnson, Vice-President of Boston-based Colonial Fund.

Yet another is the memo on the Wharton study written by Charles M. Werly, Chairman of the Board of Putnam Management Co.

Finally, there is the memo from Henry T. Vance, President of Vance, Sanders. He notes, by the way, that he has had nothing to say because neither he nor the funds his company underwrites have received a copy of the Wharton report.

It may yet be that the Wharton people and the Government, which underwrote the undertaking, will be able to justify the cost to taxpayers. But the imposing document, at least until now, appears to have stirred no interest outside the mutual fund executive suite. Maybe there is no one strong enough within the Securities and Exchange Commission or on Capitol Hill to raise this weighty document in an impassioned call for reform.

What is more likely, however, is that the Wharton labors simply did not give the people in Washington something into which they could sink their teeth. If this study had found wholesale evil and grievous wrongdoing, you may be sure that the men in Washington who batten on headlines would have taken the Gone With the Wind-size fndings to their hearts and to the press.

Until now, at least, the bulk of the information contained in the Wharton project has been provided by the people in the fund field. The folks in this field, especially those who must deal with the public, owe it to themselves to be armed with the facts. Reading the commentaries cited in the foregoing should prove profitable to these people and the customers they serve.

## The Funds Report

**American Business Shares, Inc.** reports total net assets of $25,226,065 on Aug. 31, end of the third quarter of the fiscal year. This was equivalent to $4.20 a share. At the close of the fiscal year on Nov. 30, 1961, assets were $29,088,942, equal to $4.98 per share.

The company notes it has "considerably changed the diversification of its securities held for appreciation in the first nine months of fiscal 1962." It reports holdings of oil stocks increased from 3.3% to 14.2% and new investments made in the chemical industry now account for 5.4% of the total. Holdings in the electric light-power group were slashed from 20.3% to 5.4% and tobaccos from 18.1% to 6%.

* * *

**Income Fund of Boston,** reporting for the six month ended July 31, puts total assets at $42,740,374, compared with $43,893,335 on the same date a year earlier. Net asset value per share was $7.28 at the latest reporting period, compared with $8.25 on the like date in 1961.

* * *

**Loomis-Sayles Mutual Fund** reports that on July 31 total assets were $93,033,347, against $96,964,491 a year earlier. The net asset value on July 31, 1962, was $14.20 per share, compared with $16.52 on Oct. 31, 1961.

**Television Shares Management Corp.** announces that William H. Cooley no longer is President of this investment adviser and underwriter. He will continue as a member of the Board of Directors. No announcement of a successor has been made.

* * *

**Texas Fund, Inc.,** a mutual fund founded in Houston in 1949, has acquired all the assets of The Ansonia Investment Co. in exchange for Texas Fund shares. A privately owned investment company based in Connecticut, Ansonia had assets in excess of $3,700,000 on the transfer date of Aug. 31, 1962.

The announcement was made by Clive Runnells, Jr., President of Texas Fund, Inc. in the fund's annual report to shareholders for the fiscal year ended Aug. 31, 1962.

Texas Fund reported total net assets of $46,091,796, compared with $44,390,545 a year earlier. Asset value per share was $10.14, against the $11.73 reported in 1961, after adjusting for the 49¢ capital gains distribution in 1962.

During the same period the market, as measured by the Dow Jones Industrial Average, declined by 15.4%. It was pointed out that the comparison is for a selected short period of time and is between an unmanaged common stock average and an investment portfolio under continuous professional management.

# Dr. King Heads Economics Dept. At Seton Hall

Dr. Harold J. King, regular economics consultant to the *Commercial and Financial Chronicle* since 1954, and on our full-time staff prior thereto, has just been appointed Acting Chairman of the Department of Economics of Seton Hall University. The Department offers classes in the South Orange, Newark, and Paterson units of the University. Prior to his new appointment, Dr. King served the University for two years as Visiting Professor of Economics.

Dr. Harold J. King

It is Dr. King's expressed hope that the Department can build a reputation as a bastion for sound research and teaching in economic science—rather than just another arm for the propagation of Keynesian socialism. He invites inquiries from teachers, students and parents who find themselves concerned about socialistic trends in American education.

Dr. King, who received his Ph.D. in Economics from the University of Pittsburgh in 1941, started writing for the *Chronicle* two years later. Prior to joining our full-time staff in 1952, he had taught at the University of Pittsburgh, Carnegie Institute of Technology, and Louisiana State University. He had also served several Federal agencies on a consulting basis.

Newly elected for listing in *American Men of Science*, Dr. King has long been listed in *Who's Who in America*, and other reference works.

# BANK AND INSURANCE STOCKS

## This Week — Bank Stocks

*THE OUTLOOK FOR BANK EARNINGS*

Earlier in the year it was indicated that bank earnings would tend to improve from the first quarter of 1962 and by the year end the earnings of the major commercial banks might approximate those of 1961. There are two components or factors necessary for growth in bank earnings. One is the growth in deposits in the banking system and the other is uptrend in interest rates.

In 1961 deposits have increased in the banking system somewhere in the vicinity of 4%. Much of this is due to growth in the time category which is not always an immediately profitable deposit area. The other factor necessary for growth is the uptrend in interest rates mentioned above. As is evident below, the rates on Treasury bills have not increased nor has the rediscount rate. Naturally the prime rate charged by banks has also remained static. An increase in the rates comes about as a result of a greater demand for money. This demand is usually reflected in an immediate lowering of "net free reserves" which depresents the excess mony available in the banking system. As one can readily see there has been little fluctuation in this figure particularly in the last few months.

In order to see net free reserves diminish, bank loans should be on the rise. It is obvious that there has been some increase in New York City bank loans over the previous year but as yet this increase is not substantial and has been offset by a rise in deposits. Although New York City bank loans may be up over 1961 an increase of $400 million is small when total loans are running $11 billion.

According to M. A. Schapiro & Co.'s *Bank Stock Quarterly of September 1962* bank earnings are expected to be off 1.8% in 1962. This compares with a decline of 5.1% in the first quarter of this year and approximates earlier prognostications.

Over the longer period (through 1963) bank earnings should trend upwards. Although there may not be a rise in deposits in 1962 the interest rate trend should be upwards. We know that there will be a substantial Treasury deficit. In addition to this, the problem of gold outflow should help to keep rates at least at the current level. Although economic forecasts are not now publiczed for 1963 the outlook for housing, construction, and public expenditures is favorable. Also allied with these is prospect for much greater corporate and municipal financing which means a greater demand for capital funds.

Although bank operating expenses are up in 1962 this is due principally to the higher interest paid by commercial banks on time deposits. This rate will most likely remain constant throughout 1962 and by now this added expense has been absorbed through proper investment (tax exempts) and loans (expansion in the mortgage field) and therefore will not penalize banks in 1963.

**Trend of Interest Rates, Free Reserves and N. Y. City Bank Loans**

| | Rediscount Rate | 91 Day Bill Rate | Free Reserves (Millions) | Increase in New York City Bank Loans Over 1961 (Millions) |
|---|---|---|---|---|
| Jan* | 3½% | 2.73% | $531 | $214 |
| Feb* | 3½ | 2.80 | 436 | 111 |
| Mar* | 3½ | 2.73 | 397 | 100 |
| Apr* | 3½ | 2.73 | 418 | 214 |
| May* | 3½ | 2.73 | 407 | 286 |
| Jun* | 3½ | 2.69 | 446 | 433 |
| July 6 | 3½ | 2.93 | 872 | 398 |
| July 13 | 3½ | 2.97 | 343 | 480 |
| July 20 | 3½ | 2.98 | 399 | 418 |
| July 27 | 3½ | 2.89 | 473E | 442 |
| Aug 3 | 3½ | 2.87 | 330 | 533 |
| Aug 10 | 3½ | 3.80 | 351 | 608 |
| Aug 17 | 3½ | 2.87 | 455 | 649 |
| Aug 24 | 3½ | 2.84 | 407 | 699 |
| Aug 31 | 3½ | 2.81 | 462 | 729 |
| Sept 7 | 3½ | 2.83 | 329 | 655 |
| Sept 14 | 3½ | 2.78 | 436 | 666 |
| Sept 21 | 3½ | 2.79 | 489 | 138 |

* Average for the month.

# SECURITY SALESMAN'S CORNER

BY JOHN DUTTON

## "And Get the Stock Too"

In many lines of business, particularly life insurance and most other intangibles, it is a rule of good salesmanship to get a check with the order. However, I have found that most people who opened accounts with me, or have given me orders to buy or sell securities, are intrinsically of high character and integrity. After a while an experienced salesman learns to eliminate those characters that come out of the woodwork every few years and who try to trade with insufficient capital. There was quite an epidemic of this sort of thing during the six months that preceded the May break in the market of 1962.

But I am not referring to "sharpies" when I state that many security salesmen have taken orders without anything more than a customer's word, for substantial commitments in securities, and have never had cause to regret it. Most clients are obtained through referrals, or there is a prior investigation on the part of the salesman. When you deal with retired individuals, substantial business men, professional people, and others who have standing in your community, it is very seldom that they do not live up to their obligations. The only time a deposit should positively be required is from strangers, or people who open margin accounts with whom you are not well acquainted, or those who give you orders to buy or sell substantial amounts of securities for cash. If you are in doubt, politely suggest a deposit when you open the account. Any hesitancy in this area is a signal to you to be ultra careful before entering orders for such an individual.

### And There Are Sellers Too

The story I am going to relate, however, was told to me by an experienced security salesman. If he had not known the pitfalls that sometimes arise, even when dealing with honest people, he might have learned an expensive lesson. This salesman had a friend whom he had known for about five years. He would see this man and his wife (socially) several times a year. He knew that his friend was an active trader in speculative securities and did all his business with another firm. This man was about 80-years old and only in fair health. He had trouble getting around and his eyesight was failing. One day our salesman's friend telephoned him at his office and told him he would like to give him some business. The salesman was very pleased and he entered two orders. One was a small order to buy 200 shares of a listed stock. The other was an open order, "Good till cancelled" to sell 1,500 shares of a low priced, unlisted, stock at around the then current market.

The salesman checked the market pertaining to the sell order, he also obtained some information about the company, at his friend's request, *which was not favorable.* He worked off 300 shares at a price, at or near his limit, and then the bid dropped and he could not sell any more stock at the price his friend had indicated was his limit. "All right", said the customer, "leave the order in, and whatever amount you can sell at my limit go ahead up to a total of the 1,500 I originally gave you." Then the salesman did some thinking. Why not go by the elderly man's house and pick up the stock on his way home. He would save him a difficult trip to the postoffice, registration of the 300 shares he had sold, and he would not be far out of his way. He offered to do this and his friend was delighted.

When he called he was greeted warmly. The stock was laboriously placed on the table and the old gent had a check ready for the two hundred shares of the listed stock which had been bought for him. Then the salesman did some thinking. This man is old. He knows what he is doing but suppose he should become seriously incapacitated when I might need delivery of the additional 1200 shares? Unlikely; but these things have happened before. What then? How do we get delivery? What about stock tied up in an estate? So, knowing the score, he suggested to his friend that he deliver the entire 1,500 shares against receipt, and if all, or part were sold, then settlement could be made later. If all was sold he wouldn't have to bother going to the post office, if part of the order, or none of it was executed, the stock not sold would be returned. The customer was agreeable to this suggestion. He signed fifteen stock powers which the salesman had in his brief-case, he delivered the stock, the receipt was given to him, and all was well.

Two days later the trading department reported a sale of 500 shares at the limit price. The salesman immediately reported it to the customer. Thinking that this stock was taken rather quickly and that there might be something in the wind, the salesman suggested to the customer that he might be wise to change his limit on the next 700 and try for a higher price. "Do that", replied his elderly friend. "Just a minute and I'll cancel the last 700, hold the line," replied the salesman. He rushed back to the trading desk and asked the order clerk to cancel the "sell" on the remaining 700. The order clerk's face dropped. "I've just sold it", he said. The salesman then rushed back to the phone and told the customer that it had just that minute been sold but he would try to break the trade. "Do that if you can", replied the customer. Going back once more to the trading desk he heard his phone ring again and the salesman turned back to answer it. It was the customer, "It's O. K.," he said, "Let the order go, I'll accept that execution for the 1,200."

Several days later the old gent called him, "What will I do. I forgot that I gave my friends over at my other broker an order to sell 500 at the same time I gave you the order. Now it is a point higher and they told me to have the broker to whom I gave the sell order buy it for me so I can make delivery. My memory is getting short. I just forgot I put that order in with them". The other firm finally adjusted the trade, but their long time friend and client was very unhappy with the fact that it cost him about $500.00 to straighten it out. Meanwhile, the "old pro" salesman had his delivery, he has gained the increased respect of his elderly friend (since he offered to try to "bust" the trade, albiet as soon as it was consummated, not two days later) and it looks like he is now going to get more business . . . providing the old man's memory and his legs hold out.

*Reminder*—When you are doing business with cash accounts it is always advisable when you can do so to obtain possession of securities against open orders to sell, "G.T.C." People get hit by trucks, go to hospitals, and sometimes, even forget they gave the same order to another broker.

# Brower Pres. of Wellington Co.

PHILADELPHIA, Pa. — A. Bruce Brower has been named President of Wellington Company, Inc., 1630 Walnut St., underwriter subsidiary of Wellington Management Company, it has been announced.

A. Bruce Brower

Mr. Brower began his association with the Wellington organization in 1935 as a sales executive. He represented the firm in Pittsburgh from 1951 to 1960, and for the last three years of this period was also in charge of sales for the mid-west region of the U. S. He was elected Executive Vice-President and Director of Sales for Wellington Company, Inc., in December, 1960. He brings to his new post a wealth of experience in the marketing of mutual fund shares and in the training of salesmen, gained over some thirty years of pioneering experience in the mutual fund and related sales fields.

As President of Wellington Company, Inc., Mr. Brower succeeds Joseph E. Welch, who has been named Chairman of the Board. Mr. Welch also continues as President of Wellington Management Company.

# Phila. Secs. Ass'n To Tour Labs.

PHILADELPHIA, Pa. — Members of The Philadelphia Securities Association have been invited to tour the facilities of Smith Kline & French Laboratories in Philadelphia on Tuesday, Oct. 2, 1962, starting at 10:30 a.m.

The tour will be followed by a luncheon at which Walter A. Munns, President of Smith Kline & French will speak.

Edwin J. Pearson of Smith, Barney & Co. is in charge of arrangements.

# NEWS ABOUT BANKS AND BANKERS

*Consolidations • New Branches • New Officers, etc. • Revised Capitalizations*

John R. Burleigh Jr., Oliver M. Mendell and Francis W. Murray III have been elected Vice-Presidents of **Chemical Bank New York Trust Company, New York,** it was announced Sept. 24 by Chairman Harold H. Helm. Mr. Burleigh heads investment analysis in the bank's Trust Investment Department at 100 Broadway. Mr. Mendell is in charge of the bank's 50 Court Street Office in Brooklyn. Mr. Murray is with the bank's office at 10 Rockefeller Plaza.

Mr. Burleigh joined **The New York Trust Company** which was merged with Chemical Bank New York Trust Company in 1959. He was named Investment Trust Officer in 1959.

Mr. Mendell joined the bank in 1958 as Assistant Secretary in the Metropolitan Division. He became Assistant Vice-President in 1959.

Mr. Murray joined the bank in 1950. He was appointed Assistant Secretary in 1956 and Assistant Vice-President in 1959. Mr. Murray is a Director of the **National Bank of Orange & Ulster Counties, Goshen, N. Y.**

* * *

**First National City Bank, New York,** Sept. 20, opened its 95th metropoltan branch at Union Turnpike and Utopia Parkway opposite the new campus of St. John's University. The branch is the bank's 19th in the Borough of Queens.

Manager S. Henry Morda, with First National City over 33 years, heads the new Queens facilities. He comes to Union Turnpike from the bank's branch in Plainview, Nassau County, the first suburban branch of any New York commercial bank. He is assisted by William A. Cunningham, Assistant Manager. Thomas T. Mahoney heads the branch's Personal Finance Department.

* * *

**The Bank of Tokyo Trust Company, New York,** an affiliate of **The Bank of Tokyo Ltd.,** Sept. 25, formally opened the doors to its new midtown branch at 32nd Street and 5th Avenue.

The Bank of Tokyo, Ltd., is successor to the former **Yokohama Specie Bank.**

Taro Neki, Vice-President will Manage the new midtown branch.

* * *

**The Dollar Savings Bank, New York,** has opened a drive-in office between White Plains Road and Virginia Avenue in the Parkchester section of the Bronx.

* * *

**Long Island Trust Co., Garden City, N. Y.,** elected Burton R. Young, a Director.

* * *

The merger of the $2,100,000 **Wheeler National Bank of Interlaken, Interlaken, N. Y.,** into the $12,030,000 **First National Bank of Waterloo, Waterloo, N. Y.,** was announced Sept. 14 by the Comptroller of the Currency James J. Saxon. The merger is effective on or after Sept. 14.

* * *

Henry Dolch, Vice-President and Lending Officer of **The National State Bank of Newark, N. J.,** is marking his 25th anniversary with the bank this month.

Mr. Dolch, who began his banking career in 1922, was Vice-President in charge of lending operations with the main office of **Lincoln National Bank,** when it became part of National State Bank in 1955. In 1956 he moved to National State's main office.

* * *

Comptroller of the Currency James J. Saxon, Sept. 14, announced that he has approved the merger of the $3,300,000 **Farmers State Bank of Emmitsburg, Emmitsburg, Md.,** into the $47,600,000 **Farmers and Mechanics-Citizens National Bank of Frederick, Frederick, Md.,** effective on or after Sept. 14.

* * *

**City National Bank & Trust Co., Columbus, Ohio,** elected C. Gordon Jeffiffe, a Director, succeeding the late Frank H. Bonnet.

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**Michigan Avenue National Bank, Chicago, Ill.,** elected Wallace E. Carroll, a Director.

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**Gateway National Bank, Chicago, Ill.,** elected John P. Carney, Vice-President, a Director.

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After nearly a half-century in banking, Edward C. Haase, Board Chairman of **The First National Bank of Winnetka, Ill.,** has retired, effective Sept. 15.

Mr. Haase began his banking career in Chicago in 1915.

In 1929, Mr. Haase joined the Winnetka bank as Cashier. He became President and a Director in 1933. He will continue as a Director of the bank.

* * *

Comptroller of the Currency James J. Saxon announced Sept. 18, that he has approved the merger of the $27,600,000 **City National Bank of Winston-Salem, Winston-Salem, N. C.,** into the $248,100,000 **First Union National Bank of North Carolina, Charlotte, N. C.**

The merger will become effective on or after Sept. 21.

* * *

**Boulevard National Bank of Miami, Fla.,** elected John Gier, a Vice-President.

* * *

**Crocker-Anglo National Bank, San Francisco, Calif.,** made John S. Ehrlich, a Vice-President and Manager of the San Francisco office.

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**The Bank of California, N. A., San Francisco, Calif.,** announced the appointment of Robert C. Orr as Assistant Cashier at the bank's Modesto Main office.

* * *

**The Bank of California, San Francisco, Calif.,** has received approval of supervisory banking authorities to establish a third office in San Jose at Alameda and Naglee with construction slated to begin about the first of the year.

* * *

Comptroller of the Currency James J. Saxon, announced Sept. 18, that he has granted preliminary approval to organize a new National Bank in San Rafael, Calif., under the title of **"Marin National Bank."**

Proposed initial capital structure of the new bank will total $1,500,000, consisting of $750,000 capital, $500,000 surplus, and $250,000 undivided profits.

* * *

Organizers of a proposed new National Bank in Pleasant Hill, Calif., received preliminary approval to organize, Sept. 18, from Comptroller of the Currency James J. Saxon.

The proposed bank will be operated under the title of **"The Mount Diablo First National Bank"** and will have an initial capital structure of $500,000.

## Reynolds & Co. To Admit Weicker

The proposed admission on Oct. 1 of Theodore Weicker, Jr. as a senior general partner and member of the executive committee of the investment firm of Reynolds & Company, 120 Broadway, New York, members of the New York Stock Exchange, has been announced.

Theodore Weicker, Jr.

Mr. Weicker brings to his new affiliation many years of experience in industry as well as in the securities business. He received his early business experience at E. R. Squibb & Sons, manufacturing chemists, following his graduation from Yale University, Sheffield Scientific School, in June, 1925.

In 1930, he acquired a membership in the New York Stock Exchange, then formed the firm of Weicker & Company, specializing in handling transactions on the Exchange for other firms, banks and investment bankers. In 1939, he joined E. F. Hutton & Company as a general partner, leaving in January, 1942, to rejoin E. R. Squibb & Sons to assist that company in its contribution to the war effort. In 1952, Squibb was merged into Mathieson Chemical Corp. and at that time Mr. Weicker was President of Squibb.

In 1955 after playing an important role in the global expansion of the company's activities, Mr. Weicker returned to E. F. Hutton & Company as a general partner — administrative affairs. He became the first managing partner of that firm in January, 1959.

Mr. Weicker is a director of Tidewater Oil Company and Mission Development Company.

## Dominick Opens Chicago Branch

CHICAGO, Ill.—Dominick & Dominick, international investment banking firm and member New York Stock Exchange, has announced the opening of an office in Chicago, in the Field Building. Ralph A. L. Bogan, Jr. has been appointed Manager. He was formerly associated with Blunt Ellis & Simmons.

# COMMENTARY...

*By M. R. LEFKOE*

On several occasions earlier this summer, I predicted that the fear and uncertainty engendered by increasing government controls and regulations would probably induce "a retrenching on the part of businessmen and an actual reduction in capital expenditures." Recent surveys taken by various government agencies have indicated that capital expenditures during the second and third quarters would probably be as high as generally forecasted earlier this year, and appear to have proven my prediction wrong.

### Big Difference

What these surveys neglect to mention is that there is a crucial difference between capital expenditures and capital appropriations. Funds appropriated by a company for capital expenditures are usually not spent for six to nine months after being approved by a company. Furthermore, once an appropriation is made for a capital project and plans become fixed, it is almost impossible for a corporation to cancel a project without a substantial loss of money.

The government surveys have reported actual expenditures during the second quarter and expected expenditures during the third quarter. The money spent during these two periods was appropriated *before* the White House killed the steel price increase by a shocking display of executive power, and before the stock market fell out of bed this spring.

A recent survey of capital appropriations made by the National Industrial Conference Board for *Newsweek* Magazine shows that during the second quarter manufacturers sharply cut back their plans for future capital spending. The report indicates that the slash involved a 16% decline in appropriations for new plant and equipment. *Newsweek* commented that "the full survey of 602 firms indicates that business spending, one of the economy's major props, will be in shaky condition late this year and in early 1963."

* * *

### The "Public Interest" Again

Politics and the President's alleged concern with "the public interest" have again reared their ugly head in choking off individual rights in America. Two weeks ago President Kennedy requested that four Southern California aerospace firms accept the recommendations of a three-man board he had called to study the labor dispute in which the companies were involved.

The board recommended that the companies accede to the union's demand that a "union shop" be instituted in each company as a part of the new labor pact. Then, the President told a press conference that if the companies refused to heed the report and a strike occurred, "The responsibility would be very clear, I think, to the American people."

### Individual Rights Ignored

What Mr. Kennedy failed to disclose in his statement which was relayed to the American public is that the "union shop" is a coercive device used by unions to force all of a company's employees to join the union, whether they want to or not. If a prospective employee refuses to join the union, the company, under the terms of a "union shop" agreement, is prohibited from hiring him.

Thus, a corporation which refuses to give up its hiring rights has been condemned by the President, and the onus for a strike which would tie up our space program has been shifted to the companies involved.

Perhaps this action will help the Administration win additional support from labor unions during the fall elections. One is forced, however, to wonder about the loss of individual rights by the workers forced into labor unions against their will. Is this what Mr. Kennedy means when he says that he and his party will stand on their record of protecting the "public interest?"

* * *

### Fact and Fiction

Tow weeks ago, in commenting on our nation's space program, I warned that "One validly could, and should, question whether Russia is beating the United States in space and whether she has actually performed all of the feats she has claimed."

In his nationally syndicated column just a week ago, Fulton Lewis, Jr., elaborated on this point. He stated: "American scientists take with a grain of salt the story of Soviet space twins Nikolayov and Popovich that they passed within three miles of each other in their orbiting trips of three weeks ago. They say, first of all, there is no proof to indicate that Messrs. Nikolayov and Popovich were even in the satellites. And American tracking equipment—the finest and most advanced in the world—says that the satellites were never closer than 100 miles of each other."

International courtesy is a fine thing, but the President's apparent willingness to quickly affirm Russia's alleged successes necessarily gives Americans the impression that our scientists have confirmed all of the Russian claims, and that the United States is far behind the Soviet Union in space achievements.

* * *

### Political Fealty

A recent poll conducted by George Gallup to determine political party preferences contains some startling disclosures which all businessmen should study carefully.

Covering voters in all of the 37 states outside the South, the poll breaks down voter preference for the Democratic and Republican parties on the basis of the voter's occupation. Professional men and businessmen indicated equal preference for the two major parties, 36% of their responses favoring each party. The remaining 28% of those interviewed called themselves independents.

Thus, somewhat more than one-third of the business and professional people surveyed indicated that the party which "best served the interests of people like themselves" was the Democratic party.

As many of my recent columns

have demonstrated, the official attack on profits as being a dirty work, to say the least, and the persistent downgrading of the free enterprise system are leading to a collectivist state where businessmen will not exist as free men. To actively vote one's own destroyers into a position of power amounts to nothing less than committing economic suicide.

# The Security I Like Best

*Continued from page 2*

38% in fiscal 1962 over the previous year and net earnings were $0.65 per share compared with $0.49 in 1961 on shares presently outstanding. Management has set as its goal a growth rate of 25% annually over the next few years, with an even greater increase possible from new product areas now under development.

In 1960, after a thorough investigation of the company among its customers and the technical community, Laurance Rockefeller and associates purchased by private placement 10,000 shares of the company's common stock and gave the company a five-year commitment to lend it $150,000 in subordinated convertible debentures at the company's option.

In regard to competition the company occupies a dominant position in its areas of operation. Scientific-Atlanta has one direct competitor, whose annual sales volume is believed to be approximately one-third of the volume of Scientific-Atlanta. It would appear likely that, as the market continues to grow Scientific-Atlanta should be able to maintain a dominant position by reason of its specialized technical competence in its chosen areas and its excellent customer contacts.

Although the company has developed a certain amount of civilian commercial business and has important plans for further development in this direction at the present time roughly 80% of total sales are, directly or indirectly, the result of military contracts. However, the company's vulnerability in this connection appears to be more theoretical than real. The company's instrumentation enjoys such widespread and general usage that, except in the conceivable case of general abandonment by the United States of its present large defense and space program, isolated military contract changes and cancellations would have little effect on the company's over-all business pattern.

Currently the company spends an amount equal to approximately 5% of sales on research and development, in addition to government funds which are made available in connection with various defense contracts. As the development of technologies utilizing antennas continues to grow, the company appears to be in a prime position to take advantage of new opportunities in such areas as underseas warfare communication and detection techniques, and more sophisticated and advanced telemetry devices and space communications.

Scientific-Atlanta, Inc. stock is traded in the Over-the-Counter Market.

# PUBLIC UTILITY SECURITIES

BY OWEN ELY

## Arkansas-Louisiana Gas Company

Control of Arkansas - Louisiana Gas was purchased by Mr. W. R. Stevens and associates from Cities Service in 1953, and while most of the stock then acquired was later disposed of to comply with the Public Utilities Holding Company Act, he has continued to act as Chairman and President.

Mr. Stevens soon began a program for diversifying into various non-utility fields, most of them related in some way to the gas business and its markets. Wholly owned subsidiaries now handle the following activities which are classed as non-utility: recovery of natural gasoline and other derivatives; production of industrial chemicals; retail marketing of oil products; manufacture of gas air conditioners, gas heaters, etc.; production of cement; fiberglass boats; construction of pipeline and distribution systems; and the financing and sales promotion of gas-fired equipment and appliances. The Production and Exploration Division is developing sizable oil production. The company has popularized outdoor gas lights and has even entered the field of antiques.

The company obtains about two-thirds of its revenues from the sale of natural gas, 30% from manufacturing and construction, and 4% from oil and other gas sales. Revenues are divided about half and half between utility and non-utility operations, the sale of gas to thirty large industrial customers under 15-year contracts being classified as non-utility.

Natural gas is served to a population of over 1,700,000 in 390 communities in Arkansas, northern Louisiana, eastern Texas, Oklahoma and Kansas. Among the principal cities served are Shreveport, Little Rock, El Dorado, Wichita, Texarkana and Pine Bluff. Residental sales now provide about 37% of gas revenues, commercial 12%, industrial 40% and public authority and miscellaneous customers 11%; a substantial part of the industrial sales are for boiler fuel in electric utility plants.

In addition to its broad program of diversification, the company is also expanding in the utility field by acquiring other gas utilities. In 1960 it acquired Consolidated Gas Utilities serving about 84,000 customers and in 1961 Southwest Natural Gas and MidSouth Gas, the two serving 90,000 customers.

Arkla Chemical sales in 1961 were $13 million or over 10% of system gross; net earnings of $1 million contributed about 8 cents a share. The management "continues to think of and work toward building a real chemical complex." Arkansas Cement Corp. has enjoyed rapid growth and the capacity of the Foreman plant is now being doubled at a cost of $7.5 million. The expanded plant, one of the most fully automated in the United States, is expected in future to contribute about 18 cents per share to net earnings or more than double the 1961 amount.

Arkansas - Louisiana Gas has also been active in the manufacture of air conditioning units for sale by itself and other utilities. Servel's manufacturing plant was purchased in 1957 and a number of new models have been developed. The Arkla System now sells more air conditioning units than any other utility; they expect to sell 2,000 residential air conditioning units this year vs. 1,505 last year. In the first seven months of this year, Arkla Industries increased both gross and net revenues by some 20% over last year. The company believes that the gas industry is on the verge of a major breakthrough in capturing a substantial part of the year-round cooling and heating market.

The Gas Producing Division now provides about one-fifth of system gas needs and has developed system reserves of some 4.3 trillion cf, without including some new reserves in eastern Oklahoma. Undeveloped acreage under lease now exceeds 405,000 acres vs. 170,000 eight years ago. Developments in the Arkansas River Basin where the company has substantial interests are said to have "a tremendous future." The company is extending its pipelines into the areas where new reserves are being developed.

Returning to the utility division, the company reports that the regulatory atmosphere in the five states in which it operates "is reasonable and responsible." It now has purchased gas cost adjustment clauses in effect in nearly all the service area, which help to eliminate "regulatory lag" in rate adjustments. Moreover, the principle known as "fair field value" is generally recognized which means that the company can obtain about the same "going price" for its own gas as is obtained by other producers in that area, instead of being limited to production cost plus a rate of return on original investment. The company also has escalation provisions in its industrial contracts. At present the system has only one general case pending on retail rates which is not considered of great importance.

System capitalization is conservative with about $80 million debt and $188 million equity, making the equity ratio about 57%. At present financing is being taken care of with bank loans which may later be funded in the form of mortgage bonds or debentures. No equity financing is contemplated at present.

Arkansas - Louisiana's earnings record include a period of rapid increase in share earnings — from 22 cents in 1954 to $1.72 in 1959 (with gains in each year) followed by a period of consolidation, with 1961 earnings only slightly above the 1959 level. In the 12 months ended June, 1962 $1.69 was reported, an increase of 12 cents over the previous 12 months (on an adjusted basis) but below the $1.76 for calendar year 1961. The management expects earnings for calendar 1962 to be better than 1961, but has not made any official estimate. Tax savings resulting from accelerated depreciation are normalized.

The stock has been selling recently in new low ground, around 26½ compared with this year's high of 43 and last year's high of nearly 45. Based on the $1 dividend the yield is about 3.8%, and the price-earnings ratio approximates 15.7 times recent earnings.

# Shearson, Hammill Names Mintz

Walter Mintz, senior analyst for Shearson, Hammill & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, has been appointed manager of the firm's research department. Mr. Mintz, machinery and automotive industry specialist at Shearson, Hammill & Co. since 1956, previously was associate editor of *Barron's*.

Walter Mintz

# Warning To Stockholders of Record Only

Individuals who hold stock in their name but are not the actual owners must remember to file Form 1087. Otherwise, their carelessness may result in a tax audit, according to Howard Rumpf, author of the Alexander Hamilton Institute bulletin, "Taxes Interpreted."

Form 1087 shows the name and address of the actual owner, name of corporation, number of shares and amount paid. The corporation paying the dividend must file Form 1099 showing amount paid and to whom (record owner.) The Internal Revenue Service will check Form 1099 against record owner's tax return. If there is no entry, the likely result will be an audit.

# Role of Municipal Bonds in Portfolio of Country Bank

*Continued from page 1*

the 52% bracket is over 6.5% even for municipals maturing within 5 to 10 years, **depending on interest rates at time of purchase.**

(2) Almost any coupon rate, quality, maturity, and discount or premium can be found from the thousands of issues in the market. In many instances a series of one issue at different yields (discount or premium prices) can be purchased.

(3) The market in municipals has expanded immensely with hundreds of dealers as well as bank dealers making markets in these issues. This gives municipals a great deal more liquidity and marketability than they enjoyed in the past, and also tends to bring bid and asked prices closer together and tie this market closer to other security markets, making quotations easier to obtain. The daily **Blue List** presents a fairly complete listing of securities for sale, along with the name of the dealers and other vital information concerning the issue offered.

(4) In some states non-member banks can use municipals of their respective state as part of their legal reserve requirement, thereby providing tax free income while acting also as a reserve.

(5) In many states where general obligations are purchased by banks, the 10% of capital and surplus limitation can be avoided. This is also true for all national banks.

(6) Geographic diversification can be obtained, should this factor be desired by the purchasing bank.

(7) Because of the smaller amount of wholly and partially tax exempt U. S. government and agency issues, tax free bonds could have more appeal as a replacement. Total partially tax exempt securities of the U. S. Treasury and instrumentalities have been reduced from $5,997 million in 1954 to $1,485 million on June 30, 1962.

(8) The safety record of municipal bonds is favorable: even during the depression approximately only 2% of the total outstanding issues failed on interest or principal payment. Even these in most cases were eventually repaid, and since that period the number of such failures has been negligible.

(9) Municipals can be used in tax switching programs. One advantage here is that sometimes closely matching issues can be found because of the large floating selection available.

(10) All large issues are rated by the two major rating agencies, independent of one another.

### Major Disadvantages of Municipals

(1) Except for public housing authority bonds, municipal bonds are a risk asset, regardless of rating and maturity for examination purposes.

(2) They do not have the degree of marketability and liquidity which government securities possess.

(3) In many instances they are not eligible as collateral for public and other deposits.

(4) Legal opinions and other current financial information are required by examining agencies. On small issues, up-to-date financial information may be difficult to obtain or is limited.

(5) Many good issues, because of their relatively small size are not rated, thereby restricting the amount that might otherwise be purchased.

(6) In many instances, for local issues, even those which are rated, only a regional selling market may exist.

(7) All of the return from municipals is not tax free. Issues purchased at a discount present a capital gain liability. "After tax" returns must first be computed when making comparisons to tax free municipals purchased at par or at premiums. The capital gains tax liability could be long or short, depending on the time held; this can create problems in portfolio management where profit and loss plans are concerned.

(8) They are almost always sold and quoted on a yield basis rather than dollar price. This tends to confuse purchasers of such issues, especially since gross yields are quoted on discount bonds.

(9) Round lot trading is usually in blocks of $25,000 and up. Smaller blocks usually mean a slight concession when sold. (The latter is true, however, in many instances in the government market, but not so significantly.)

(10) Prices are not always in line with other issues of comparable quality, maturity, and rate. In this sense one can say the market is more technical in nature. This is due to the thousands of issues outstanding, no two being equal in every respect.

(11) Municipals are generally not eligible collateral for borrowing from correspondents or the Reserve banks at the current discount rate, although they are eligible at a differential above the discount rate.

### Tax Position of Bank

Banks in the 52% bracket receive the greatest benefit from municipals, although in some instances banks in the normal tax bracket (30%) can also reap substantial benefits. Many smaller banks insulate themselves from the surtax bracket by purchasing municipals to as high a level as possible which their individual circumstances permit.

Banks which are sure of maintaining themselves in the 30% bracket because of their small size or through additions to bad debt reserves or security loss selling (up to the surtax bracket) when buying municipals should make certain that if discount municipals are being purchased, the after-tax yield should be at least equal to or better than those obtainable on par or premium issues. This is also true for banks in the 52% bracket.

Banks in the 30% bracket should not hesitate to sell for short term profit purposes, either municipals or government securities as the short term gain is taxable at only 30% while capital gains are taxable at 25%. The 5% difference may not warrant the extra waiting period.

Country banks in the 52% bracket should make certain that discount municipals mature or are sold at profits only during profit years. Profits and losses should not be mixed except in the case of 30% tax-bracket banks where this can be done with some advantage. Banks in the 52% bracket should watch out for short term capital gain selling because of the high tax penalty.

Banks in the 30% bracket should also examine the after-tax yields on short term corporates, government agency and equipment certificates to see how they compare to municipals before committing funds.

### Relative Position of Municipals In Portfolio

In determining what portion of the total portfolio should consist of municipals, a variety of factors need be considered, there being no single rule of thumb or set ratio. Each individual bank with the aid of various considerations can with a high degree of success determine what portion of the portfolio should consist of municipals. No doubt other ratios can be found, although the following seem to cover the major points which country banks should consider. Each should be analyzed individually, although still related to the whole. Several are somewhat interrelated. Below are listed the leading or underlying considerations that should be analyzed:

(1) Deposit structure — portion representing time deposits versus demand deposits.

(2) Deposits times total capital funds (including reserves).

(3) Loans and discounts to deposits.

(4) Mortgages as a percentage of total loans and discounts.

(5) Average length of mortgages outstanding.

(6) Call loans and call participations as a percentage of total loans.

(7) Loans times capital funds (including reserves).

(8) Risk assets times capital funds (including reserves).

(9) Loans as a percentage of total assets.

(10) Cash and governments to total deposits.

(11) Maturity distribution of governments — considering call features.

(12) Percentage of "other securities" to total deposits.

(13) Maturity distribution of other securities.

(14) Rating of municipals, quality and type of market status (local or national names as well as block sizes).

The most difficult question to be answered is which factors are most important, and can some unfavorable factors be offset by others which are very favorable. Here we face a problem of relative weights. The combinations are too numerous — the trained specialist, however, can in his own mind offset favorable against unfavorable, giving weight where it is due and come up with a fairly accurate picture as to what the size of the municipal portfolio should be. Some factors are certainly more important, yet several smaller factors can far outweigh a major one.

In order to help illustrate our point a table of the factors is set up below for a hypothetical county bank indicating its ratios and other factors in a given range. The ratios and factors below are favorable for municipal purchases to be made.

**Hypothetical County Bank**

| Factor No. | |
|---|---|
| (1) | 60% to 70% time money. |
| (2) | 8 to 9 times. |
| (3) | 45% to 50%. |
| (4) | 40% to 50%. |
| (5) | 8 to 10 years. |
| (6) | 10% to 15%. |
| (7) | 4.5 to 1. |
| (8) | 5.5 to 1. |
| (9) | 40 % to 50%. |
| (10) | 40% to 45%. |
| (11) | 3 to 4 years. |
| (12) | 3% to 6%. |
| (13) | Average maturity 4 to 6 years. |
| (14) | 80% general market names, remainder local. |

### Deposit Structure

The higher time deposits are as a percentage of total deposits, other factors being favorable, the larger can be the municipal portfolio. The "hard core" of deposits and their fluctuations need examination. Large demand deposits also need attention. Municipals should not, however, be used to adjust the bank's position for deposit fluctuations. Primary reserve should cover this area.

### Deposit Time Capital Funds

Other factors favorable, the lower this ratio is, the more in municipals that can be held. A low ratio here places the bank under some earning pressure, but in a strong capital position some risk can be undertaken. We are measuring the amount of capital supporting deposits. If other factors are favorable and time deposits are large relative to total deposits and the deposit to capital ratio is low, more pressure is brought about to purchase municipals. Capital accounts are a cushion to deposits should all assets not be liquidated at cost prices.

### Loans to Deposits

Known as the liquidity ratio, the higher this ratio becomes the smaller should the portfolio of municipals become if other factors are favorable. Where this ratio is high, the bank is already in a fairly tight position, additional risk assets should not be added, but liquidated to help offset this illiquid position. Where this ratio is low and no loan demand is forthcoming, municipals might be undertaken for earning power.

### Mortgages as a Percentage of Loans and Discounts

Mortgages generally are a significant portion of a county bank's loan portfolio. If other factors are favorable and mortgages are a significant portion of loans, but loans to deposits are only average or low, municipals again may be in order. Should the loan to deposit ratio be high and mortgages a significant amount, new municipals should not be added, the liquidity position again is fairly tight. Because mortgages tend to illiquidity, regulating bodies have governed their holdings, with some small exceptions, to a per cent of time deposits or capital.

### Average Length of Mortgages

This becomes very important if mortgages are a large percentage of loans, and the latter are high relative to deposits. If this is the case and all other factors are favorable municipals should not be added; the bank already is in a fairly illiquid position. When the mortgage limit is reached in terms of time deposits or capital funds, and the average maturity is long, municipals should not be added.

### Call Loans, Call Participations As a Percentage of the Loan Portfolio

A large loan portfolio relative to deposits, consisting of mostly call loans and call participations is more liquid than a small loan portfolio made up of mostly mortgages.

Many country banks, finding commercial loans difficult to obtain, enter with their correspondents into different forms of call loans, which to some extent are more liquid than commercial loans. A balance between such loans, commercial loans, and mortgages should be examined, as well as the over-all loan ratio to deposits (and the latter's structure) and to capital. Doubtful loans as well as the bank's loss experience over a number of years should also be examined.

An over-liquid loan portfolio, other factors being favorable, might indicate a municipal portfolio would be in order. Interest rates on call participations can change, and where demand for other loans is not forthcoming, earning can decrease. This would tend to be offset by fixed income from a municipal portfolio over the interest rate cycle.

### Loans Times Capital Funds

This ratio measures to some degree the risk of depositors' funds tied up in loans, relative to stockholders' equity. Generally speaking, the higher the loan volume to capital funds, the less willing should the bank be in making new loans. It is quite possible for this ratio to be high while the loan to deposit ratio is low. Where the one ratio is under investigation the other should also be considered, since one refers to a portion of risk assets to depositors' funds, the other to stockholders' funds.

Where the loan to capital ratio is high, as well as the deposit to capital ratio, any municipals held should preferably be of high quality, marketable, and of short maturity. The reasoning here is that when the above ratios are near their limits, interest rates are usually high, and poor quality, long term municipals are extremely difficult to sell at favorable prices, tending to place the bank in a locked-in position when such a position should be avoided. This is usually the period when the cash and government position should appear strong, supported by short term, if any, municipals with high quality.

Where the loan to capital ratio is low along with the deposit to capital ratio, and the other ratios of the bank indicate a somewhat liquid position, a municipal portfolio might be undertaken with an eye to the near term outlook for loans in relationship to capital. Where loan demand is forthcoming, short term municipals might be purchased with the intention of slow liquidation to meet such demand.

### Risk Assets Times Capital Funds

Measuring risk assets to capital funds will give the bank a general over-all picture of the size of risk assets being supported by equity. Generally speaking, the higher this ratio stands, the less sound becomes the depositors' funds. Much depends here on the composition of the risk assets; in most cases where the ratio is high, the loan portfolio usually represents the largest segment of the risk asset classification. Municipal bonds represent so-called risk assets, and can therefore be a means of adjusting the ratio upward or downward.

Should a bank find the risk assets to capital ratio high, with loans (mostly mortgages) representing a large percentage of the risk asset classification, and loans high in relation to deposits, the portfolio of municipals might be reduced (or loans called or not increased), since this is usually a period of straining ratios.

Where the bank finds the above conditions prevailing, it could increase capital, but this tends to dilute earning. Banks in many instances are against such moves, because the higher the risk assets are to capital, the more profitably capital is being utilized. Under the above conditions the municipal portfolio should be reduced and the government portfolio improved and increased. The municipals should be somewhat on the short side and highly marketable.

### Loans as a Percentage of Total Assets

Generally speaking, the higher the percentage of assets tied up in loans, the less municipals should be held. In most cases where loans are a significant portion of total deposits, they are also a significant portion of assets. Where this is the case, and loans are also found to be high relative to capital funds, the liquidity position of the bank becomes a major question. Where such is the case, the cash and government position should be increased rather than the municipal portfolio. On the other hand, a low ratio of loans as a percentage of total deposits, along with other ratios which indicate a conservative position, a portfolio of municipals might be considered.

When loans represent a sizeable amount of the assets of an institution, the cash and government portfolio becomes significantly important because it is now helping to support a fully loaned position.

### Cash and Due From Banks and Governments to Deposits

Cash, due from, and governments to a great extent measure the prime liquidity position of a bank. When measuring the governments, market value should be used. The shorter the portfolio of governments, the less need be held, as the depreciation factor cannot be too significant. The latter, however, can affect bank earnings over the business cycle, unless properly managed.

Banks which find themselves over positioned in cash and governments, very little in the form of loan demand, a comfortable ratio of deposits to capital and other ratios indicating an over liquid or over conservative position, should undertake the purchase of municipals.

Since the return on governments is taxable at 52%, the bank should reduce their government holdings when most ratios are favorable and seek municipals. Timing is important in all cases, however. When the ratios indicate a fully expanded position and the bank finds it has difficulty in meeting reserve requirements, an increase in the municipal portfolio should not take place. At such a time the primary reserve should be increased and loans carefully screened or new ones refused.

**Maturity Distribution of Governments**

Closely associated with cash and governments to deposits, is the maturity distribution of the government portfolio. Where a bank finds a significant amount of depreciation in its portfolio, purchasing municipals would only increase the risk asset ratio at a time in which the liquidity position of the bank is under pressure. This should be the time to purchase additional governments to bolster the liquidity position. Long term bond, purchased at the bottom of the market make a significant difference, however, when considering the overall portfolio; in this case, with long term bonds showing no depreciation, municipals to some extent might be considered, depending on where one is in the interest rate cycle.

In most cases, banks holding their governments under five years suffer little, at any one time, in the form of portfolio depreciation. This to some extent will help a bank hold as small an amount of such taxable securities as possible, freeing funds for other types of investments.

In examining the maturity distribution of the government portfolio, call dates should be used only where issues are selling at a premium. Smaller banks which are not interested in capital gains, might find that a spreading of their government maturities over a period of 90 days to 5 years might be the best method of minimizing their holdings of governments. Large country banks should be concerned with capital gains, so that even a government portfolio of under 5 years should be one in which profit and loss years are realized.

**Other Securities to Deposits**

The term "other securities" includes all securities except governments. This would include all bonds, and stock (where it is allowed by legislation), the latter usually a very nominal amount of the total. It is quite possible, should circumstances warrant, that it could be as high as 20% of total deposits. Banks, for instance, in the 52% bracket would, under most conditions, be sacrificing income to purchase corporate bonds which are taxable at 52% versus the purchase of municipals. On the other hand, under some considerations, banks in the 30% bracket would be sacrificing income to purchase municipals, since they might do better, on an after tax basis, purchasing taxable government agency bonds or some corporates.

The ratio of "other securities" should also be tempered in relationship to the type of securities held—local or general market. As mentioned elsewhere, the maturity distribution and depreciation factor need also be considered.

Banks should not purchase municipals only for tax free income if the liquidity needs are not first fulfilled and other ratios indicate that the other securities to deposits ratio should not be increased. Banks which are in or close to the 52% bracket, should eliminate corporate bonds where possible, and replace them with tax free securities. Under some circumstances, short term high coupon government agencies might be purchased, because the after tax return on such high grade investments in the shorter term market may be above that available on short term municipal issues. This type of investment can bolster the "other security" ratio with highly lucrative after tax yields, when interest rates are high and the liquidity requirements reach a straining point. Going too far in this direction, however, may catch the bank off balance should short term rates drop and re-investments must be made at higher prices.

It would be considered rare to find any bank that holds no municipals whatsoever. If a bank is in this position, it would mean that all of its risk assets are probably in only several areas. By holding some municipals, the risk assets are somewhat diversified.

**Maturity Distribution of Other Securities**

Closely related to the percentage of other securities to deposits is the question of their maturity. A portfolio of municipals comprised of all local issues with long maturities is quite different from a portfolio of 7-10 year maturities with general market names. For most banks the typical buying range for municipals is in the area of 5 to 12 years, the average being in the area of 6-8 years. Those banks in the 30% bracket which hold municipals might find it easier to schedule their portfolio with municipals maturing each year. The reasoning here is due to the fact that income is taxed at 30% while long term capital gains at 25%. However, for banks in the 52% bracket a definite profit and loss year portfolio maturity distribution should be set up.

Those banks which find their "other securities" portfolio consists of long term bonds (both municipals and corporates), should add only shorter term securities to their portfolio, if it is found that such holdings can be made after examining the bank's ratios.

Banks in the 52% bracket should take full advantage of the profit and loss year tax advantage in switching their municipal portfolio. It is possible to have maturities spread out over a given number of years and still take advantage of the profit and loss year tax advantage. Here, however, planning is necessary since the prices paid for such securities, in addition to their maturity, coupon rate, and the level of market rates, all have a direct bearing on the final results.

**Rating of Municipals**

The bank interested in purchasing municipals or currently holding them in their portfolio should be acquainted with their ratings.

The two major rating agencies, Standard & Poor's and Moody's currently rate municipal issues, both general obligation and revenue.

Standard and Poor's ratings are as follows: AAA, AA, A, BBB, BB, B, CCC, CC, C.

Moody's ratings are as follows: Aaa, Aa, A, Baa, Ba, B, Caa, Ca, C.

For examination purposes, those issues which are rated below the fourth class (Baa or BBB) are considered speculative. In some cases bonds may be re-rated upward or downward depending upon numerous factors which are mentioned elsewhere.

Since 1949 Moody's has pursued a policy of not rating debt of governmental subdivisions where such class of debt is outstanding in an amount of less than $600,000. Standard and Poor's policy has been not to rate issues of governmental units where the debt does not exceed $1,000,000.

Ratings by the two agencies do not take into consideration bond marketability.

**Non-Rated High Caliber Bonds**

Many issues, merely because of their size are not rated, although in many instances are of high caliber. More current data are usually required by the examining agencies where these issues are held. A heavily concentrated portfolio of such non-rated (N. R.) issues restricts marketability and tends to give the bank an unbalanced quality position in its municipal portfolio.

In many instances the two rating agencies do not give a particular issue the same rating, which tends to cause some confusion. Banks purchasing municipals in the 6-10 year maturity range should strive where possible for A to Aa rated issues (Standard and Poor's A to AA). Triple A rated issues are somewhat rich when banks are buying such issues under 10 years to maturity. When municipals are purchased with maturities of 11 to 20 years or longer Aa to Aaa (AA-AAA) bonds may be desirable. Generally speaking, the shorter the issue purchased, the less important to some extent becomes the rating. This, however, does not infer that speculative quality issues should be undertaken. N. R. issues should be undertaken only with financial knowledge of those issues. In many cases the N. R. bonds will have an informal rating by experienced municipal dealers and traders.

The return (yield) on municipals is largely determined by two factors: One, the risk; two, the coupon relative to its maturity, as compared to interest rates in the same maturity sector. Yields, therefore, partially tend to reflect ratings; the higher ratings receiving less yield, the lower ratings more. In numerous occasions, however, it is possible to obtain an AA bond on the same basis (yield) as an A bond with the same maturity and rate. This can occur, for example, when a large issue of a AA bond is placed on the market, or several AA issues are floated. Market indigestion may then occur, forcing some price weakness temporarily, and creating buying opportunities for the informed investor. After such issues are digested by the market, they may move up in price (down in yield) and reflect their AA rating.

There are other technical market conditions which temporarily distort yields relative to rating, but we shall leave these to market specialists.

**Rating Factors**

A list of the important factors affecting the ratings are set forth below. Since these statistical services are experts in this area, the banker is somewhat relieved of examining each issue with fine detail. However, in those instances where no ratings are given, the purchasing bank should make an examination of the particular ratios and determine the soundness of the issues.

(1) General economic factors in area.
(2) The character of public administration.
(3) Population and revenue trends.
(4) Legality of issue.
(5) Ratio of net debt to assessed value.
(6) Net debt per capita.
(7) Debt service requirements.
(8) Trend of debt; debt retirement policy.
(9) Limitations of debt and tax rate.
(10) Actual tax rate.
(11) Tax collection record.
(12) Gross debt, self sustaining debt, net tax supported debt; debt structure.
(13) Sinking funds and their provisions.
(14) Ratio of debt service to revenue.

**Municipal Bond Quality**

Equally as important as the percentage of municipals to total deposits, is the quality of the issues. Banks holding large amounts of non-rated municipals will find that a large portfolio of such issues can be open to criticism. Such issues generally carry higher rates or sell at higher yields but during adverse market conditions these issues are difficult to sell. This is not to say banks should not purchase small local issues; in most cases these issues are highly secure, but have no rating merely because the issue is too small. In many cases, banks are asked to absorb part of new local issues in their area. Local economic conditions are known and a limited commitment in these "back-yard" bonds is desirable. Many times the bank buying such an issue is the trustee or paying agent and holds an account from the issuing authority.

It is extremely difficult to pin point with definite precision how much of the bank's municipal portfolio should be distributed between local and well known general market name bonds. To a great degree this depends on the other ratios of the bank, as well as the ratio of municipals to total deposits. For instance, should the bank be high in cash and governments (assuming all governments mature in 5 years) low in loans and discounts, and low in municipals as a percentage to deposits, part of the municipals purchased could be in non-general market name bonds. However, too many local issues (with NR ratings), regardless of the bank's ratios, could bring criticism by the bank examiners. This would be compounded if they were long in maturity.

In some instances, country banks which have a relatively strong "banking position" will take on many small issues of municipals, some rated, some not, but with short maturities, producing rather lucrative tax free income. Depending on numerous other factors within the bank, this can be done with some favorable earning advantage and little credit or market risk.

It should be noted here that purchases of municipals should, where possible, be made in blocks of $25,000 and up. When the legal limit is less than $25,000, for smaller banks, the bank should stay with general obligations since they are generally exempt from the bank's legal lending limit.

**After Tax Yields on Various Investments for Banks in the Normal (30%) Tax Bracket**

(as of Sept. 15, 1962)

| | 1963 | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Governments* ...... | 2.09 | 2.19 | 2.28 | 2.53 | 2.61 | 2.73 | 2.78 | 2.80 | 2.80 | 2.81 | 2.81 | 2.82 |
| Municipals† ....... | 1.75 | 1.85 | 1.98 | 2.25 | 2.35 | 2.40 | 2.50 | 2.60 | 2.73 | 2.85 | 2.90 | 2.92 |
| Equipments* ...... | 2.52 | 2.59 | 2.82 | 2.85 | 2.90 | 3.01 | 2.95 | 2.96 | 2.95 | 2.97 | 2.98 | 2.98 |
| Fed. Agency*...... | 2.24 | 2.34 | 2.59 | 2.60 | 2.64 | 2.68 | 2.78 | 2.82 | 2.80 | 2.81 | 2.84 | 2.83 |

*After tax yield on gross yield (30% of gross yield) since regular income is taxed at 30% versus 25% on capital gains.
†Yield on "A" rated bonds selling at par or premiums.

**Taxable Equivalent of Municipal Income for Various Maturities For Banks in Surtax Bracket**

(as of Sept. 15, 1962)

| 1963 | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 3.64 | 3.85 | 4.12 | 4.68 | 4.89 | 5.00 | 5.20 | 5.42 | 5.69 | 5.92 | 6.04 | 6.08 |

**After Tax Yields on Governments for Banks in Surtax Bracket For Various Maturities***

(as of Sept. 15, 1962)

| 1963 | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | †1973 | 1974 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1.59 | 1.77 | 1.95 | 2.06 | 2.12 | 2.14 | 2.21 | 2.22 | 1.95 | 2.22 | 2.20 | 1.94 |

*Best after tax yield possible on any issue maturing in various years—in many cases deep discount issues where current income is foregone for capital gains.
†Assuming a government 2½% maturing in 1973.

**Yield Differential in Favor of Municipals Versus Governments For Various Maturities***

(as of Sept. 15, 1962)

| 1963 | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 | 1974 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 0.16 | 0.08 | 0.03 | 0.19 | 0.23 | 0.26 | 0.29 | 0.38 | 0.78 | 0.63 | 0.70 | 0.98 |

*After tax.

# Welsh Panel Co. Common Offered

Robert L. Ferman & Co., Inc., of New York, and Miami, Fla., as manager of an underwriting group, has announced the initial public sale of common stock of Welsh Panel Co., through the offering of 110,000 shares, at $7 per share.

Net proceeds from the financing will be used to purchase machinery and equipment for a new plant; to provide inventories for the plant, and to carry additional inventories in another company plant. The balance of the proceeds will be added to working capital.

Welsh Panel of Longview, Wash. processes plywood sheets into factory finished wall panelling for sale to distributors under the names "Welshtone" and "Century-21". The company also custom processes wall panels for plywood manufacturers for sale under their own name. Such products are generally used in remodeling, urban renewal projects and mobile homes, as well as in new commercial and residential construction.

On an unaudited basis, for the seven months ended July 31, 1962, sales of the company amounted to $2,785,946 and net income was $83,281, equal to 42 cents per common share, based on 200,000 shares outstanding. For the year ended Dec. 31, 1961, sales were $3,285,151 and net income was $109,947, or 55 cents per share.

Directors of the company have declared an initial cash dividend of 10 cents per share on the common stock, payable on Jan. 21, 1963 to stockholders of record Dec. 21, 1962.

# Investors Should Not Be Misled by Today's Gloom

*Continued from page 3*

them misunderstood, that are highly favorable in their implications. These factors include:

(1) *The continuing and sharp improvement taking place in our balance of payments.* Excluding foreign aid, military expenses abroad and new foreign investment, the U. S. is currently earning a surplus of around $5 billion per year in its dealings with foreigners. Yet beginning in 1958, we have run a payments deficit of $2.5 to $3.9 billion per annum. These deficits were the product of (a) temporary-adventitious forces, such as our small trade surplus in 1958 and the speculative flight of capital that occurred in late 1960 and early 1961, and (b) more permanent factors, such as troop support costs abroad ($3.0 bil. annually) and the rising tide of foreign investment by Americans, which increased from $1.0 billion in 1950 to over $3.5 billion in 1961. Much progress has already been made in correcting this potentially dangerous situation. Of the 1961 deficit of $2.5 billion, for example, $1.9 billion was attributable to speculative outflows and short term interest rate considerations, leaving a "basic" deficit of only $0.6 billion. This year's deficit will be pared to $1.25—$1.5 billion and next year's accounts should be substantially in balance. Looking further ahead, there is every reason to believe that there will be no repetition of the 1958-60 experience since troop support costs, because of changing military technology and the growing strength of Europe, promise to decline drastically; while foreign investment is already beginning to falter in response to declining opportunities abroad.

The implications of these developments are extremely bullish for American business. The elimination of our balance of payments deficit and the banishment of the threat of dollar devaluation will permit Washington to employ, in a less inhibited fashion, its vast arsenal of fiscal and monetary stimulants.

**Our Improving Exports**

(2) *The significant improvement that is currently taking place in the competitive position of our exports.* The degree of overpricing in our exports has been greatly exaggerated in the Popular Press, but there is no doubt that many of our exports got out of line during the 1955-57 boom period. This discrepancy, however, is being rapidly eliminated as our export surplus will attest. Since 1958, productivity in the U. S. has grown slightly more than wages. In Europe the reverse has been the case. The current boom there is producing the same type of cost-push inflation and profit squeeze we suffered in 1956-58. In Germany, for example, wages have increased 25% in the last two years while productivity has gone up only 10%.

In this connection, it is well to remember that the European Common Market which is seen by many as a threat to our exports is more the result of European prosperity than its product. Many particular and national interests had to be sacrificed, placated and compensated to bring the Common Market into being. This was possible only under boom conditions and it remains to be seen how well the structure can hold up under the winds of comparative adversity that are already beginning to blow. For this and the reasons cited above, it is easy to overestimate, as many doom criers have, the adverse effect, if any, that the Common Market will have on our exports.

The honeymoon may be ending for Europe: the free ride on America's back in defense is over; inflation is destroying Europe's export advantage; and a period of political uncertainty is at hand (Adenauer and DeGaulle can't live forever). Before too long, we may again see a large capital movement out of Europe into the U. S.; and this time the motivation will not only be negative as it was in the 1930's, but positive as well, because of the opportunities that will be opening up here.

(3) *The basic turn for the better taking place in our domestic monetary situation.* There is growing reason to believe that the great secular uptrend in interest rates which began in 1946 peaked out in 1959-60 (interest rates are lower now than they were at the trough of the 1960-61 recession; nothing like this has occurred during a business recovery since the early 1920's when the last secular downtrend in interest rates began). It is possible that we are now in a long term downtrend that probably will last for many years. This turnaround is one of the most important manifestations of the speedy restoration of liquidity that is occurring in the Economy.

The favorable long run business implications of this development are hard to overestimate. The plentiful supply of money is already bringing about lower interest rates. And, if the policies of the FRB were not constrained by balance of payment considerations, interest rates would be lower than they are now.

**Administration Not Anti-Business**

(4) *The political climate.* Aside from emotional factionalism and many statements given by business leaders who have not thought them through any more than many politicians, there are substantial reasons to feel that the political climate is not as unfavorable to business as many believe.

Actions are more meaningful than words. The Administration, since taking office, has done the following: promulgated new, more realistic depreciation schedules; proposed and, at this writing, is in the act of passing a 7% investment credit to spur capital goods spending; proposed legislation which would restore competition in the transportation field; proposed and passed legislation (over strenuous liberal opposition) to place satellite communications under private ownership; arranged (over massive public power opposition) for privately owned power companies to distribute the electricity to be generated by the Upper Colorado River project; announced its intention to propose next January a large tax cut for individuals and corporations.

It would appear that the primary reason the Administration is generally distrusted by business is due to the steel price fiasco of last April. The unfortunate emotionalism surrounding the affair has obscured the fact that the basic action was not a radical departure. Presidential interference in the economic process has been an established feature of American life since 1902 when Theodore Roosevelt forced a settlement of the great anthracite coal strike. This interference came into being, has persisted and will persist in the foreseeable future, irrespective of which political party is in power, in response to two simple facts of American life. First, many vital industries are dominated by few large enterprises endowed with far more pricing power than would be the case if true competition obtained. Second, while this concentration is contrary to the rhetoric of American business and to the anti-trust laws (if strictly construed), important social and business benefits flow from the sheer size of such giants as U. S. Steel and duPont. Occasional overt action by the President supplemented by anti-trust action has, therefore, for two generations, functioned to preserve the advantages of size and simultaneously to mitigate the inevitable abuses that flow from monopolistic power. This rough and ready squaring of the circle, while imprecise and open to abuse, is in the best tradition of American pragmatism.

**Lessened Labor Power**

(5) *The decline in the power of organized labor.* In recent years, the absolute number of blue collar workers has been decreasing in response to the profound changes that are taking place in industrial technology; concurrently, union membership has dropped. Since the War, the unions have been unable to make any significant organizational breakthroughs, either in new geographical areas such as the South or new groups such as white collar workers. This loss in sheer numbers, plus the collapse in union militancy flowing from 20 years of high employment, is beginning to affect adversely the political power of labor. At the same time, labor's economic power has also started to wane in response to growing inability of employers to profitably pass on wage boosts. These trends are likely to continue, and will be reinforced by the sharp net increase in the work force that is in the cards for this decade (during the 1960's, there will be a net annual increase in the work force of 1.3 mil. vs. only .9 mil. in the 1950's).

Illustrative of the impaired status of the unions is the novel spectacle of the current Democratic Administrations' stand against the 35-hour work week and its pro-management position on the question of featherbedding.

**Profits Better Than They Look**

(6) *The remarkable stamina demonstrated by corporate profits and profit margins, considering the stagnant economic conditions of the past 5 years.* At first glance, the figures seem to belie any such construction, but I submit that the statistics support my case.

To begin with, most analysts use 1950 as their base year for current comparisons. This is highly misleading. 1950, in terms of profit margins and return on investment, was probably the best year in the history of American business. And it should have been, considering that the economy was tremendously stimulated by the start of the Korean War and the large scale scare buying it engendered.

Instead, let's look at 1955, the peak year of the post-Korean boom. In 1955, pre-tax corporate profits were $44.9 billion; of this amount, $1.7 billion was inventory windfall, so adjusted profits were $43.2 billion. In the same year, after-tax profits were 5.40% of gross; depreciation and depletion was 2.75%; thus, total cash flow was 8.15% of gross.

Now, let's look at 1961, the fifth year of high level stagnation. In 1961, pre-tax corporate profits were $46.1 billion (up $1.2 billion from 1955); inventory losses were $0.1 billion, making adjusted profits $46.2 billion (up $3.1 billion from 1955). In 1961, after-tax profits were down to 4.25% of gross; depreciation and depletion, however, were up at 3.28% of gross; thus, total cash flow was 7.53% of gross in 1961 vs. 8.15% in 1955.

It is apparent that before 1957, reported earnings were inflated by inventory profits and inadequate depreciation accruals. Contrariwise, current earnings by virtue of (a) the absence of windfalls and (b) much higher depreciation charges are much improved in quality. Further, when comparisons are made on a cash flow basis, the deterioration in margins since 1956 becomes more illusory than real.

The implication of these figures and related statistics on capacity are difficult to exaggerate. If the economy should snap out of the doldrums, a veritable explosion in corporate profits would follow.

The favorable factors outlined above would receive additional impetus if a meaningful tax reform and reduction is enacted early next year, and, if the current subsidence of inflationary fears persists. Our inequitable, loop-holed tax structure, aided by the fear of an inflation that has been dead for over three years, has led, especially in the real estate field, to significant and unhealthy distortions in the allocation of resources. An even partial elimination of these distortions would be a boon to healthy economic growth.

**Sees Great Boom by 1965**

Given the advanced convalescence that has taken place in basic fundamentals, given the constellation of favorable supplementary factors and trends that is in growing ascendancy, there is the probability that a great boom will begin in the United States by 1965. This boom, in all likelihood, will last out the rest of the decade and bring unparalleled prosperity. Initially, at least, this probability will be fully reflected in profits (I would not be surprised if pre-tax corporate profits were to rise above $60 billion by 1968; the DJIA could easily earn $55).

The investment consequences of this anticipated renewal of economic vigor are manifest. Instead of earnings growth being confined to a narrow spectrum of equities (foods, utilities, etc.), as has been the case during the last 5 years of stagnation, virtually all of the major industry groups will participate. This means that in a few years, conditions will come into being which will permit a broad, cross-the-board stock market advance, the like of which has not been seen since 1953-6.

If this were the whole story, the future would, indeed, be bright. Unfortunately, there is the problem of the gradual emergence of a Siege Economy in the United States.

**Siege Economy Prospects**

Since 1949, we have been in the grip of a seemingly inexorable and open ended militarization. In the past 12 years, military and related expenditures have grown from 5% to 10% of the GNP. And, giving due weight to the Permanent World Crisis in which we are inextricably involved, there is no reason why military costs should not double again in the next 12 years. Thus, it is quite possible that by 1967, national security will be absorbing 15% of the GNP and by 1973, some 20%. There is, of course, no guarantee that this military encroachment on the economy will continue. Perhaps disarmament is possible. Perhaps the Russians will become less aggressive. Perhaps the Chinese will never be able to make atomic weapons. Or, perhaps, military technology will become less, rather than more complex and expensive, each passing year. Perhaps—but I think not.

To date, the burden of militarization hasn't (except during the Korean War) been sufficiently great to cramp the style of the civilian sector of the Economy. In fact, in recent years, the military budget has been the indispensable prop without which our high level stagnation could easily have been a low level depression. So far, so good, but what of the future? What will be the effect of an ever expanding military budget on the Economy when we emerge, as we surely must, from the current high level stagnation?

In my opinion, the long-run implication is a Siege Economy characterized by high volume, high taxes and extensive regulation. It is only a matter of time, if the militarization trend continues, until the Economy will be hard put to supply constantly expanding defense needs and also support a civilian boom. It could be 1968, or it could be 1973; but sooner or later, we are going to have to make the fundamental choice between guns and butter, and, as military needs are preemptive, that choice will be guns. Once made, we will be assured for the foreseeable future of a high and constant level of business activity and employment. The price, of course, will be high taxes (which will be necessary both to pay for defense and to restrain civilian purchasing power) and greatly expanded government regulation (which will be necessary to ration scarce resources and counteract the distorting effects that a taut economy will have on the bargaining power of various groups).

**Cyclicals Favored in Siege Economy**

The investment implications of the Siege Economy that is likely to emerge within the next dozen years, and the implications of the boom expected in the last half of this decade are closely in step. Both developments will benefit companies characterized by operational leverage, large, unused capacity and high fixed capital. In short, the very cyclical and heavy industrial enterprises that have been hurt by the post-1956 stagnation of the conomy. During the prospective 1965-70 boom, these companies, by virtue of the leverage inherent in large overheads and underemployed capacities, will be in a position to dramatically increase earnings. With the advent of a Siege Economy, the cyclicals, which in many cases are already not strangers to regulation (the railroads, for example), will survive the transition much better than growth issues because their high book values will protect them from the full impact of the rate of return and excess profits type of taxation which seems probable under the new dispensation (for a more detailed exposition of the Siege Economy thesis, see my article in the April 19, 1962 *Commercial and Financial Chronicle*, reprints available on request).

All in all, the longer term prospects of the economy and the stock market are excellent. There is every reason to believe that by 1965 the curtain will go up on the greatest boom the United States has ever enjoyed. The probability that this boom, sometime in the late 1960's or early 1970's will sail into the uncharted waters of a Siege Economy is disturbing. But as this seems to be the price we must pay to avoid the choice of being "Red or dead" and as the transformation will be gradual, there is no reason for any investment apprehension at this time. Fortunately, the stocks that promise to do best in 1965-70 also seem the likeliest holdings in a Siege Economy.

* * *

**Troublesome Present**

The long run may be promising in spite of its martial overtones, but in the long run, we are all dead. What of the troubled present? What of the two or three years that separate us from the Promised Land?

Even more than is normally the case, the present situation of the Economy and the market is confused. The business recovery that started early last year has come to a dead stop (that it has done no worse is remarkable, considering the blow delivered by last spring's stock market collapse). The leading indicators, though they have shown a slight and spotty improvement in the last month or so, continue to flash warning signals. In all likelihood, some sort of slump in economic activity seems in the cards by early 1963; perhaps it will begin sooner. But this is not the whole story by any means.

The current recovery has been remarkable not only by virtue of its lassitude and short duration, but also because of its complete absence of excesses (there has been no great buildup of inventory, new capacity, credit or any of the myriad other abuses typical of a recovery; for the first time in a generation, wholesale prices have actually declined during a period of business expansion). This constructive situation is, in part, mitigated by the fact that the Economy is still struggling under the weight of the secular imbalances inherited from the mid-1950's. Nevertheless, it is reassuring that no additional abuses have been piled up in the last 18 months which could delay the convalescence in basic business fundamentals that has been underway since 1957.

It is possible, therefore, that the coming downturn could be so moderate that it would be classified as a recession only in the technical sense. We may easily be entering a period of prolonged trendlessness in the Economy in which the FRB industrial production index will fluctuate in a range between, say, 112 to 120. However, even if we are not able to coast painlessly into 1964-65, the dimensions of any slump between now and then should be circumscribed.

**Breadth Index More Accurate**

The one raging excess, if it can be so described, of the 1961-62 recovery, and indeed of the whole 1959-62 period, has been the stock market. To what extent this excess was liquidated in May and June is a matter of dispute. A glance at the DJIA, which currently is down only 20% from its highs, and which at its nadir in June was only off 30%, would seem, considering the magnitude of the 1949-61 advance, to support the view that the May-June collapse was very incomplete. On the other hand, it is apparent that the Dow is not telling the whole story. Late last June, the Breadth Index, which more accurately mirrors the action of all stocks listed on the Big Board, was back to the level of January 1954 (when the DJIA was 279-93). The truth of the matter probably lies somewhere between these two extremes. Certainly, the proximity of better times tends to support more the verdict of Breadth than the implications of the Dow.

A new crop of Sewell Averys has sprouted like desert flowers in the pessimistic atmosphere built up by the spring deluge. Their influence is unfortunate not only because they ignore the future, but because they also misunderstand the past. They don't seem to realize that the configuration of the 1949-61 bull market was totally unlike that of the 1920's. Contrary to the 1928-29 experience, the highs made by the various groups that make up the whole of the market were strung out over a 6 year period (coppers and rails peaked out in 1956, oils in 1957, steels and motors in 1959, electronics in 1960, utilities and foods in 1961, for example). In consequence, many groups were thoroughly liquidated **before** the May-June debacle and, as could be expected, outperformed the Dow on the way down. This unique circumstance confirms the message given by the Breadth Index. But, in a way, it also supports the Dow's implication that there are still unliquidated excesses.

**Today's Market Outlook**

Given the above and given the facts and trends developed earlier in this study (the approaching boom, the high quality of today's earnings, etc.) the following case can be made for today's market.

(1) The bear market may be waning (that is, we seem to be past the emotional phase where everything goes down together); consequently, those many groups which are thoroughly sold out can now exert a stabilizing influence; despite this, however, new lows by a small margin on the DJIA are quite possible late this year or early next year.

(2) No new bull market is likely for some time (many excesses yet remain to be liquidated and corporate earnings will probably be in a moderately declining trend for 9-18 months).

(3) Therefore, the prospect for the intermediate term is a trading range characterized by vicious selectivity. As the market progresses through this trading range, the relative stability of the Dow will mask some dramatic changes. The late excesses of the 1949-61 bull market, particularly the many, still overvalued growth issues, will be taken to the woodshed. While those groups which are sold out and which have large boom potentials will begin to respond as we get closer to 1965.

How long will this trading range last? It all depends. If the economy coasts along and does not fall into a measurable recession in 1963, and if 1964 is the first year of renewed prosperity, a bull market could start next year. If on the contrary, we have a recession and the advent of the boom is delayed until 1965 or 1966, the trading range could be prolonged. As for the current rally (which may last into November) the odds are against it being the beginning of a new bull market. It takes time to lay the technical foundations necessary for a major move. (A caveat is necessary at this point. Any radical change in the international picture, a war in Viet Nam or Cuba for example, would completely alter the schedule of probability I have outlined here.)

**Range of 395-700 DJIA**

If there is any merit to the views expressed above, the Dow Industrials would seem to be indefinitely lodged in a price/earnings channel of 15/1 to 20/1. Assuming earnings of $35 this year and $33 next year, a price range of 495-700 DJIA is indicated. Interestingly, this calculation is confirmed by a chart which shows strong support at the 460-520 level (the congestion area around the highs of 1956-57) and great supply at the 670-730 level (the congestion area around the highs of 1959-61).

Going from the general to the particular, the following groups, in my opinion, are thoroughly liquidated and have probably seen their lows: airlines, machine tools, heavy equipment, cement, coppers, building materials, rails, rail equipment, uranium, shipping, distilling and brewing, paper and timber.

**Groups Still Apt to Decline**

The following groups are, in all likelihood, not completely liquidated and could violate their May-June lows: electronics, banks, drugs, savings and loan, retail trade, life insurance, aluminum, business machines, international oils, foods, and growth utilities.

The following groups are in a more indeterminate position: steels, chemicals, agricultural equipment, domestic oils, fire insurance and non-growth utilities.

These are, of course, the broadest sort of opinions. There are many exceptions and many special situations.

What, then, should be the policy of the average investor during this period of travail and great expectations? I can only recommend the ancient, unsatisfactory compromise between liquidity and selectivity. There is no other prudent alternative. Specifically, I would advocate that 25-35% of the average portfolio should be set aside as a buying reserve; the remainder of the portfolio should be shifted into those groups that are most depressed and which will have the greatest possibilities in the coming boom. Aggressive advantages should be taken of rallies which permit the liquidation of overvalued growth stocks and other recent favorites on a relatively favorable basis.

The present is not only the child of the past, it also is intimately related to the future. For this reason, if no other, the investor should not allow himself to become too disturbed by the vexing, unsatisfactory present; the long term future is too promising, too close. Past, present or future—it has never really paid to sell America short.

# Franklin Nat. Bank Offers Pfd. Stock

Eastman Dillon, Union Securities & Co., New York City, heads an underwriting group which is offering publicly, 200,000 shares of The Franklin National Bank of Long Island 4.60% cumulative preferred stock, priced at $100, plus accrued dividends.

Since the 1930's, there has not been a public sale of preferred stock by any major bank in the United States, although several bank holding companies have issued preferred stock.

The offering is being made subject to approval of the issue by holders of common stock of the bank and by the Comptroller of the Currency of the United States. Shareholders will be asked to approve the issue at a special meeting scheduled for Oct. 15.

The preferred stock will be non-callable for any reason for ten years. It will thereafter be callable in whole or in part at $100 per share plus accrued dividends. A non-cumulative purchase fund to $700,000 per year will be set aside each year beginning Jan. 2, 1973 and applied to the purchase of preferred stock in the open market or on calls for tenders at the lowest prices available, but in no event in excess of $99.99 per share plus accrued dividends.

The Franklin National Bank of Long Island, Mineola, is the largest commercial bank on Long Island, and the twenty-seventh largest in the United States, in terms of deposits at June 30, 1962. Since 1950 Franklin National has opened 25 new branch offices and acquired 21 other offices through mergers and consolidations. It now operates 47 banking offices in Nassau and Suffolk Counties, Long Island, and in late 1963 will open its first two New York City offices in the financial district and at Forty-Eighth Street and Madison Avenue.

Since 1950 deposits have risen from less than $41,000,000 at June 30, 1950, to $906,549,000 at June 30, 1962, and resources have mounted from less than $45,000,000 at the earlier date to almost $893,595,000 at June 30, 1962.

# Woolrych and Beaupeurt In La Jolla

LA JOLLA, Calif.—Woolrych & Beaupeurt has been formed with offices at 7946 Ivanhoe Avenue to engage in a securities business. Partners are Edmund H. Woolrych and Edward F. Beaupeurt. Mr. Woolrych was formerly an officer of Woolrych, Currier & Carlsen, Inc. Mr. Beaupeurt was with Equity Securities Corporation.

# San Diego Gas & Electric Company Rights Offering

The company is offering its common stockholders the right to subscribe for an additional 500,000 $10 par common shares at $31 per share on the basis of one new share for each nine shares held of record Sept. 20. Rights will expire Oct. 10. Blyth & Co., Inc., New York City, is the principal underwriter. Shares not subscribed for are being offered at $31 each to certain employees and former employees.

Net proceeds to the company will be used to repay bank loans and for construction.

The company of 861 Sixth Ave., San Diego, Calif., is an operating public utility engaged principally in the business of generating, purchasing and selling electric energy in San Diego County and in a portion of the southern part of Orange County, Calif., and of purchasing and selling natural gas in the City of San Diego and other communities in western San Diego County.

During the 12 months ended June 30, 1962, approximately 66.1% of the gross operating revenue of the company was derived from the sale of electricity, 33.6% from the sale of gas, and 0.2% from the sale of steam.

# Business Pickup Forecast This Fall And Winter

The business trend will be tilted upward over the rest of the year and into early 1963, according to the United Business Service. The Boston-based advisory firm states that even though gains will be seasonal, het pickup will bolster sentiment as well as activity.

Retail sales, aided by rising personal income and brisk demand for autos, are expected to set new records this Fall. Fourth quarter trade should top a year ago by 3%-4%. Government spending will accelerate. With basic tax revision put off until 1963, various Federal agencies will speed the signing of new contracts to help spur business. Business spending for new plant and equipment will also maintain an upward trend. Though full stimulus of lbieralized depreciation and the soon-to-be-enacted 7% tax credit on new capital outlays will be deferred until 1963, official estimates of fourth quarter capital outlays are probably on the low side. The Service also forecasts some increase in inventory accumulation from the third quarter rate, which will help lift industrial output.

Wholesale commodity prices are likely to remain relatively stable, but the Cost of Living Index will probably edge up from its current level of 105.5 to around 106.5 by the year-end. Interest rates may firm a bit, but will not show much change. The Service looks for a moderate improvement in steel demand and operations this Fall, and predicts that full year new construction outlays will hit a record $60 billion, up $2.5 billion from 1961.

In discussing the stock market outlook, the United Service points out that speculative excesses have been pretty thoroughly liquidated (especially the "hot" new issues and glamor growth stocks). It is an excellent time to upgrade holdings and to be shopping for values that will provide a good stake in the next major market upswing.

# Municipal Syndication From A Manager's Viewpoint

*Continued from page 11*

which may not always be within the exact terms of the trade based on the assumption of ready success.

But more important than this or any other procedural matters, is the recommendation that the members of a syndicate allow the manager to obtain the best possible bid. To that end, it is necessary that members be frank to state their position to the manager when they have no interest or for some other reason do not want to make a strong bid, rather than to try to stay in the account and hold the bid down.

**Give and Take Necessary**

In any association as democratic as a municipal syndicate, there must be a certain amount of give-and-take; certainly it is indefensible to go into a bid-setting session with some fixed notion, such as that the spread must be "x" no matter what the scale. And above all, it is desirable that members permit those who want to underwrite larger amounts than their original participations, to be permitted to step up and do so to the extent necessary to offset drop-outs.

I appreciate that this always raises a question of judgement, whether the resulting lineup promises enough strength that it is a sound business risk to stay in the account.

All that I am pleading for is that pride of position should not be allowed to stand in the way of enabling the aggressive members of a group to pool their forces and increase their underwriting risks in order to improve the bid. In this matter, we of the municipal bond industry are much less flexible than participants in competitive bidding for utility bonds.

**Refers to Practices in Utility Underwritings**

In some cases we have experienced recalcitrance from the very firms which in the utility business accept shifts in final bidding underwriting position as a matter of course. This may be due in part to the undivided liability nature of our municipal syndicate, but in view of the freedom which every member has to size up the new situation and decide whether he wants to participate for "X" amount, I can see no reason to change the legal form of the syndicate agreement. It is only policy that requires changing.

We have in the municipal business many precedents for committee action in fixing bids and reoffering terms, but almost always subject to a final look by those not on the committee, or to the filing of bid limits.

I think that the growing burden of managing accounts including anywhere from dozens to hundreds of members will force us to leave more discretion with management, either the manager himself or a committee.

**Favors Larger Participations for Syndicate Managers**

At various times it has been proposed that the syndicate manager be compensated by allowing him to take a larger participation than the other majors. I believe in this.

Together with the entire major group, the manager's underwriting earnings have been curtailed by the combined effects of smaller participations and narrower spreads, while the work-load and leadership requirements falling upon the manager have been enormously increased.

Paradoxically enough, if you will review the past 25 years you will find that the smallest participants in any continuing syndicate have best succeeded in holding their dollar interests. I can show you instances of syndicates in which major participations including the manager's have been reduced to 20% of the average of 25 years ago, while minor interests of 100 or 200 bonds remain practically unchanged.

**Strong Leadership Essential**

My time has run out. I was going to talk a little bit about the manager's obligations and responsibilities to the syndicate, but I think Alan Weeden has really titilated you on that quite enough. But I would say that I think the most important is the manager's judgement in composing a group well suited to the business in hand which is to buy and distribute bonds of a particular credit, because given the right partners, the competitive battle is more than half won, and this discretion comes under the heading of strong leadership.

I would like to repeat and endorse what Allan Weeden did say about the relationship in a municipal syndicate. It is not legally a partnership but in every other sense it is that kind of mutual trust relationship, and I think that the most important factor in this syndicate relationship is the blend of experience and character which management applies to the adjudication of inevitable conflicts of interest among the members.

*A talk by Mr. Pfeffer at the First Municipal Conference, Chicago, Illinois, Sept. 11, 1962.

# Debt Repayment Under Credit Life Insurance

Credit life insurance in the past decade has paid off $836,000,000 in debts for the families or estates of American borrowers who have died with loans outstanding. Payments in 1962 alone are expected to total nearly $175,000,000, according to the Institute of Life Insurance.

Credit life insurance assures the borrower that his debt will be cancelled if he should die before repaying it. Secondarily, the insurance protects the bank, finance company, credit union or retailer which made the loan, guaranteeing prompt repayment in case of the borrower's death.

Credit insurance now covers more than $34,000,000,000 in outstanding loans or installment credit. This total has increased from less than $5,000,000,000 a decade ago, and from well under half a billion dollars at the end of World War II.

"This growth in credit insurance has been an important aid to the sound development of consumer credit," the Institute of Life Insurance said. "It provides an increasing measure of protection to the families which budget their purchases of countless goods and services through installment credit and loans."

At the beginning of this year, credit life insurance protected $33,493,000,000 in loans under 45,262,000 individual policies and group certificates. Of the total amount, about 82% was issued as group insurance, the rest under individual credit policies. The average policy or certificate was for $740.

Since these totals include only life insurance written directly through lending agencies, they do not reflect fully the extent to which American families have protected their outstanding debt. Many purchasers buy individual life insurance oplicies and earmark them to pay off debts.

One particularly large category of such personal life insurance to cover debts: mortgage insurance. Most policies to protect mortgage loans are not reflected in the credit life totals, since the great majority are not purchased through lenders.

Although credit insurance represents only about 5% of all life insurance in force, it has been the fastest-growing of the major types of life coverage since the end of World War II.

To bring state-by state uniformity to this burgeoning field, the life insurance business has cooperated with The National Association of Insurance Commissioners in its work on model legislation. The model act permits state insurance commissioners to regulate the amounts and availability of credit insurance, in the interests of both borrower and lender.

So far, 27 states and Puerto Rico have adopted acts patterned after the Commissioners' model. Four other states, including New York, have passed differing acts that also authorize insurance commissioners to regulate credit insurance.

# To Teach Computer Programming

Three Bankers Trust Company executives in charge of its electronic data processing units will give professional instruction in computer programming at Pace College, New York City, during its Fall 1962 semester, it has been announced by Dr. Edward J. Mortola, President of the college.

The four-credit evening courses are specifically designed to prepare members of data processing or computer center staffs of banks, stock brokerage firms, insurance companies and major commercial and industrial organizations to develop or enlarge their professional skills in computer programming. Students must have a basic knowledge of computers to enroll in any of the courses.

Prof. Michael A. D'Angelico, Bankers' assistant vice president and head of its Banking Methods Department will direct a course in "Electronic Computer Systems." This course will cover concepts in the design of electronic computer systems with emphasis placed on internal and external controls which insure accuracy of performance of both equipment and systems.

Classes meet Tuesday and Thursday from 5:45 p.m. to 7:25 p.m.

# Municipal Bond Industry Problems Needing Solution

*Continued from page 10*

proxies and drops them along with himself.

(5) I am sure we could arrive at a better way of handling pre-sale orders. Too often it turns into a popularity contest as to whether a member gets his bonds or not.

(6) Under regulation "Q" we have seen auction bidding going on among bank members as to who can take the most maturities on a strip order — and later on some of these maturities get offered to customers who could not get the bond during the order period.

(7) We have never solved the problem of whether or not it is proper for a member or a manager to short against the pot in a term issue and what we can do about it if we decide it is not proper.

(8) We do not all agree on whether it is correct procedure to pass along the full takedown to a joint account which includes some dealers not members of the syndicate.

(9) The matter of how much advertising of new issues is necessary or proper should be determined.

(10) What constitutes valid expenses properly charged against an account should be cleared up —also, the method and detail necessary in reporting these expenses to the members. At present there is a great diversity among managers on this matter.

(11) We should set up a reasonable limit for a manager to hold good faith checks after an issue has cleared.

Enumerating these problems raises the point that many new syndicate practices have not been accepted by all segments of our industry. The rank and file dealer feels he was given little or no voice in their establishment. He is apt to view them as being, at times, inherently unjust, as not being standardized as between managers, and as a source of some dissatisfaction.

**Manager's Viewpoint**

At the same time we must recognize management's point of view — that many managers feel that they do a large percentage of the work, supply leadership and imagination, and that any peripheral benefits are not only fair but are definitely earned. They also maintain that rigid rules tend to reduce the flexibility that is essential to successful management. They may be right, but both sides can't be right. The viewpoints are too far apart. And each year, I feel, the gap gets wider. Nor can our industry be right in allowing this split to persist — in sticking with a status quo that no longer serves but distracts us.

There are some who feel the answer lies in members dropping from accounts where they don't like the rules and bidding with someone else. But this is not a reasonable solution. That kind of mobility for members is restricted by a number of considerations — corporate relationships, personal friendships, customer and banking ties, and by the underwriting position available elsewhere.

Further, in some of our giant deals with only two accounts bidding, a member who drops from one account might find that his mobility was only of the "out of the frying pan, into the fire" variety.

**The Correct Solution**

I don't think many of us feel that wise solutions would evolve from wholesale dropping out of accounts. The answer we all feel lies in the collective approach — in mutually examining our practices and arbitrating any supposed inequities that exist. After all, the syndicate agreement that we sign is a partnership agreement, not a license to have at one another. We should create a set of uniform operating procedures — a framework within which we can all compete fairly and harmoniously. I am sure most managers would welcome this type of valid search for better and more equitable ways to handle our syndicates.

**Dangers of a Divided Industry**

I am certain it is not intent but inertia that has held up an attempt like this until now—inertia in getting started, getting committees formed, holding meetings. But a start has been made here and it can be continued. I would hope that the people at this meeting register the desire that it continue.

I do not know whether we as an industry can ever achieve concrete solutions acceptable to all of us; whether once arrived at, we can get universal agreement to abide by these rules. These are questions that perhaps are better left to the future. We have to crawl before we can walk.

But we all know that an industry divided against itself is ill prepared to cope with either its obvious obligations to the public or the inevitable encroachments of big government. Nor is it prepared to meet the exciting challenge of future national growth. I hope we are able to work something out. It would serve to enhance our future. It would also make a pleasant, friendly business even more pleasant.

*A talk by Mr. Weeden at the First Municipal Conference, Chicago, Ill., Sept. 11, 1962.

# Twin City Inv. Women Elect

MINNEAPOLIS, Minn. — The Twin City Investment Women's Club, an organization of Minneapolis-St. Paul, Minnesota women in the investment field, held their annual meeting and election of officers Sept 19.

Named President was Jane Wilson, Blyth & Co., Inc., Minneapolis; Vice-President—Frankie Anderson, Mannheimer, Egan, Inc., St. Paul; Treasurer—Charlotte Gautschi, Merrill Lynch, Pierce, Fenner & Smith Inc, St. Paul; Recording Secretary—Mrs. Hazel S. Norman, Kalman & Company, Inc., Minneapolis; Corresponding Secretary—Beverly Henn, St. Paul Fire and Marine Insurance Co., St. Paul.

Retiring President is Edna Kleve, State Board of Investment, St. Paul.

# As We See It

*Continued from page 1*

conceived attempts to shape world affairs by economic force.

The long and short of it all is that what has happened during the past dozen or dozen and a half years could not have happened or would not have happened in a world in which natural forces were treated with greater respect. Even if natural forces had been given the degree of dominance that they had during the half century prior to World War I—and, let it be clearly stated that that dominance was not complete by any means—we should not now be disturbed about the position of the dollar in the world monetary centers. What has happened in recent years, or one of the most marked and striking developments of that period, was that foreigners supplied exchange—that is built up their short-term balances here—but our "unilateral transfers" abroad and the foreign investments of business together came to a figure much larger than the increase in these short-term balances. We now find that our assets, so far as they have increased, are mostly "long-term" while our liabilities are "short-term."

Our deficits have in part been made up by shipments from our gold stock, and it is this "loss" of gold that attracts the most public attention. The fact is, of course, that we had far more gold than was needed for monetary purposes. The fact is also that a very substantial further loss of gold would hardly of itself do us a great deal of harm. It is rather what this outward movement of gold is interpreted to mean, and in a sense does mean that does the damage. Of course the short-term borrowings which have in effect financed so large a part of our foreign investment and, for that matter our foreign gifts, are "on call" or the equivalent and are subject to whim of nervous foreign owners who have seen many a currency go bad within the past few decades. A "run" on these short-term balances is always a possibility—and it is that fact that makes the situation rather ticklish at all times.

### Political in Nature

Now the "unilateral transfers" to which reference has already been made are responsive to political rather than purely economic considerations. That being the case the fact that in effect they were being financed in so large a degree by short-term borrowings would not necessarily cause caution in their distribution. Indeed it is not an absurd guess that many if not most of the politicians who control such procedures as these had or have but the dimmest idea of the intricate mechanism of international financial matters, or much curiosity about how these payments were financed. It does, however, appear to be fairly generally realized that these payments do burden the dollar in relation to other currencies. It is for this reason that so much effort has been made and is being made to persuade some of the other countries of the world—most of which we have most generously aided in recent years—to take up a part of the burden that is generally regarded as essential to stem the tide of socialism and communism under Russian tutelage.

As to the foreign investments of American capital, which has grown so rapidly in recent years, they appear to have been made on the whole with good judgment as indicated by the profitability of the operations they finance. Of course, it is too soon to pass final judgment upon them. Time may bring many things not now anticipated. In any event, they have been encouraged by officials on the ground that they tend to help develop backward countries and thus relieve in some degree the pressure for grants and other governmental gifts. It would be difficult to say in what degree this exceptionally heavy flow of foreign investment results from faulty public policies here at home—and for that matter regrettable programs by foreign governments. There can be little doubt that some of it represents an effort to get behind foreign tariff walls. In some instances tax benefits are attractive. It is, of course, clear that our costs are often higher than those abroad—thanks in large part to the cost of labor in this country, a cost which in substantial part reflects the monopolistic position of wage earners. This latter, of course, in substantial part owes its existence to public policies.

### A World Situation

There is no denying, of course, that a thoroughly disturbed world situation is in substantial part responsible for the so-called dollar situation. It would be foolish to try to assess blame for this world-wide state of affairs. What is obvious is that the most that can be done to offset the untoward influence of such a world situation should be done without delay and with determination. What makes the situation so disheartening at times is the fact that so much of what is being done, presumably to correct or offset these adverse factors, in actual fact adds to the difficulty. In a sense it is encouraging that the world at large is appparently awaking to the fact that the dollar is no miracle currency.

# Chase Bank Heads Nassau County Group

The Chase Manhattan Bank is manager of an underwriting group which on Sept. 26 was awarded $17,200,000 Nassau County, New York, various purpose bonds, due Sept. 15, 1963 through 1991. The group purchased the bonds at competitive sale on a bid of 100.835 for a 3.10% coupon, setting an annual net interest cost of 3.0367% to the borrower.

On reoffering, the bonds were scaled to yield from 1.60% for the 1963 maturity out to 3.30% for those due in 1991.

Associated with The Chase Manhattan Bank in the offering are:

Smith, Barney & Co.; Chemical Bank New York Trust Co.; Harris Trust and Savings Bank; Stone & Webster Securities Corp.; A. C. Allyn & Co.; The Connecticut Bank and Trust Co., Hartford; Reynolds & Co., Inc.; Spencer Trask & Co.; Roosevelt & Cross Inc.; Francis I. duPont & Co.;

Wm. E. Pollock & Co., Inc.; Federation Bank & Trust Co.; American Securities Corp.; Bacon, Whipple & Co.; Fidelity-Philadelphia Trust Co.; J. R. Williston & Beane; Tilney & Co., Fahnestock & Co.; Rauscher, Pierce & Co., Inc.; Lebenthal & Co., Inc.; and J. A. Overton & Co.

# Maxwell To Be VP. Of Hickey, Franklin

On Oct. 1, John C. Maxwell, Jr., will become a Vice-President of Hickey, Franklin & Co., Inc., 45 Wall Street, New York City, members of the New York Stock Exchange. Mr. Maxwell is a partner in Tucker, Anthony & R. L. Day.

# Allen & Co. Sells Block of Mass. Turnpike Bonds

Allen & Company, New York City, announces that it has sold a block of $500,000 4%-5% Boston Extension Series B Revenue Bonds due Jan. 1, 2002. The bonds are part of an issue of $80,000,000 to finance the Boston Extension to the Massachusetts Turnpike.

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pansion during periods of business recovery and expansion.

"An exceptionally large proportion of the expansion of loans and investments in this period has been due to a rapid growth in time and savings deposits.

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### Prices Rise

"Both wholesale and retail prices advanced in July. While wholesale prices remained close to the level that has persisted for the last five years, consumer costs edged upward again to a new record high. Wholesale prices of all major categories — farm products, processed foods and industrial commodities — registered slight advances during the month.

### Federal Deficit Less Than Expected

"The announcement of the Federal budget deficit for the fiscal year which ended June 30, caused surprise in all quarters. Instead of the generally expected $7 billion, it developed that the deficit was $6.3 billion.

"While the actual deficit was enormous in its own right and was the second largest in our peacetime history, the $700 million by which it missed the expected mark was considerable, particularly in its effect upon the economy. As of the end of May the deficit stood at $9.9 billion. Because of heavy tax collections in June, receipts typically exceed disbursements resulting in a surplus. The expectation was that the size of the June surplus would approximate the $2.9 billion of last June resulting, of course, in a $7 billion deficit for the full fiscal year.

"It now develops that the June surplus was $3.6 billion, and that setting this against the $1.7 billion deficit for April and May, there was a surplus in the second quarter of $1.9 billion. While in the interest of conservatism in fiscal finance such a development was a welcome one, it is also apparent that the Federal Government was actually a deflationary force during the second quarter and that it may have been a factor in the dampening of the economic recovery.

"Indications are that the primary explanation for the large June surplus lies in less-than-anticipated expenditures rather than in greater-than-expected revenues. Collections of individual income taxes for the full fiscal year were larger than budgeted but disappointing corporate tax collections more than offset these. The departments and agencies which accounted for most of the unexpectedly lower outlays were the Departments of Agriculture, Commerce, and of Health, Education and Welfare, and the Federal National Mortgage Association."

### Bank Clearings Rise 3% From 1961 Week's Volume

Bank clearings this week will show a decrease compared with a year ago. Preliminary figures compiled by the *Chronicle*, based upon telegraphic advices from the chief cities of the country, indicate that for the week ended Saturday, Sept. 22, clearings for all cities of the United States for which it is possible to obtain weekly clearings will be 3% above those of the corresponding week last year. Our preliminary totals stand at $33,303,497,663 against $32,334,784,009 for the same week in 1961. Our comparative summary for some of the principal money centers follows:

| Week Ended Sept. 22— | (000s Omitted) 1962 | 1961 | % |
|---|---|---|---|
| New York | $18,460,909 | $17,793,785 | + 3.7 |
| Chicago | 1,480,184 | 1,402,005 | + 5.6 |
| Philadelphia | 1,251,000 | 1,264,000 | — 1.0 |
| Boston | 940,933 | 861,830 | + 9.2 |
| Kansas City | 623,883 | 574,080 | + 8.7 |

### Steel's Output Up 2.0% From Preceding Week and Down 18.9% From Last Year's Week

According to data compiled by the American Iron and Steel Institute, production for the week ended Sept. 22, 1962, was 1,715,000 tons (92.1%), as against 1,682,000 tons (*90.3%) in the week ending Sept. 15.

Data for the latest week ended Sept. 22, 1962, shows a production decline of 18.9% compared to last year's week output of 2,114,000 tons (*113.5%).

Production this year through Sept. 22 amounted to 73,016,000 tons (*103.1%), or 6.9% above the Jan. 1-Sept. 23, 1961, period.

The Institute concludes with Index or Ingot Production by Districts for week ended Sept. 22, 1962, as follows:

| | *Index of Ingot Production for Week Ended Sept. 22, 1962 |
|---|---|
| North East Coast | 99 |
| Buffalo | 84 |
| Pittsburgh | 84 |
| Youngstown | 58 |
| Cleveland | 87 |
| Detroit | 125 |
| Chicago | 103 |
| Cincinnati | 91 |
| St. Louis | 106 |
| Southern | 93 |
| Western | 92 |
| Total | 92.1 |

*Index of production based on average weekly production for 1957-1959.

### Steel Prospects Brighten For October

Steel shipments according to *Steel* Magazine will increase by 5 to 10% during October in spite of disappointing September bookings.

Mills don't have the orders to back up that prediction yet, but they're confident that demand will accelerate before leadtimes expire. They'll probably book 30 to 40% of their October tonnage after the month starts. Users are paying little attention to traditional leadtimes because they know that steelmakers have plenty of idle capacity. They're willing to bet that if one supplier can't meet a request for instant delivery, another will.

### Upturn Lacks Momentum

Although orders have been on a gradual uptrend since the Labor Day letdown, *Steel* Magazine said they're just getting back to the August rate. Several mills reported last week that their daily orders were still running a little behind August figures — largely because automotive demand hadn't picked up enough to offset seasonal setbacks in canmaking and construction.

### But Mills See October Gains

October's arrival won't trigger a buying upturn of major proportions, stated the metal working weekly, but it will mark the end of large scale inventory adjustments by two of the Big Three

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automakers. Here's what the steel publication stated can be expected:

Chrysler Corp. will start buying at a normal rate. The company cut its strike hedge inventories drastically in May, June, July, and August. As it moves into full production of 1963 models, it will have to buy at a rate equal to its consumption. Steelmakers who have been in Detroit recently say Chrysler officials are optimistic about sales prospects for their restyled cars.

Ford Motor Co. also has its inventory in good shape and should place some sizable October orders. There's one rub: Some steelmakers believe that the company wants its River Rouge steel plant to supply a higher than usual percentage of company requirements. (It normally furnishes about 50% of Ford's steel, but it can probably do better.) Said one mill executive: "Ford figures that the buyer's market will last indefinitely. It no longer feels obliged to protect its position with outside suppliers, so that they'll reciprocate in periods of scarcity. Even if Ford builds as many cars in the fourth quarter as it did in that period last year, I think we're going to ship Ford less steel."

Although General Motors Corp. won't work its inventories down to normal until yearend, it will start placing large orders in October. William E. Haight, director of purchases for GM's Oldsmobile Division, told *Steel:* "Oldsmobile still has higher than normal inventories, but they'll be worked off by the end of the year. We will start to place major steel orders in October. We normally carry a 30 day inventory. Efforts to carry less have never been very successful because of the danger of shortages if quality or delivery problems develop."

### Nonautomotive Firms End Cutbacks

Users outside the automotive industry are rapidly completing their inventory adjustments, *Steel* Magazine reported. Said an appliance manufacturer: "Our inventory is right where we want it (at the 20 day level). We had no trouble cutting it down because we've been using steel at a high rate." Added a maker of heavy electrical apparatus: "By the end of September, we hope to have most of our inventory surplus liquidated. Our fourth quarter steel orders will equal 85% of our consumption."

### Users May Rebuild Stocks Next Year

United Steelworker officials indicated at the union's convention they'll reopen their contract next year for the purpose of negotiating a wage increase, and some buyers queried by *Steel* said they'll start making plans in late November or early December for another inventory buildup.

### Production Uptrend Continues

Look for ingot production in the week ending Sept. 29 to be slightly higher than the 1,682,000 tons that *Steel* estimated the industry poured in the week ended Sept. 22. Output then was unchanged from the previous week's. If the industry's annual capacity is 160 million ingot tons — as Thomas F. Patton, President of Republic Steel Corp. and Chairman of the American Iron & Steel Institute, told the Senate Judiciary Committee — operations are currently at the 55% level.

### November Steel Pickup and Low 3rd Quarter Profits Seen

All but a few pockets of excessive steel stocks should be wiped out by the end of October, *The Iron Age* reported yesterday.

The magazine pointed out that steel in the hands of consumers and in warehouses should be in fairly good balance. This means steel shipments, by that time, will be controlled by the rate of use, rather than inventory control.

The magazine said nearly four million tons of steel will have been taken out of steel inventories since the peak of the buildup in April. Of this, 2.7 million tons were worked off in just the third quarter.

This shows that during the third quarter, steel consumption was running roughly 16% ahead of shipments, accounting for the depressed steel production rate this summer and early fall.

But with inventory cutbacks coming to an end, the stage is set for a respectable pickup in operations in November and December.

The *Iron Age* pointed out there are still some questions to be resolved before there is a good gain in steel production.

First, although inventory control should end by Nov. 1, steel stocks will be well above recession levels. To lay the groundwork for a significant pickup, the economy will have to move at a fairly good rate to justify more aggressive steel buying.

The auto industry, particularly in General Motors, still holds large stocks of steel. A good rate of auto sales sparked by a good reception of 1963 models is necessary for a strong steel pickup.

In general market reports, some signs of improvement are beginning to crop up. Except for General Motors, automotive steel buying is back to nearly normal. Sales offices with heavy auto contacts look for a 10 to 15% gain of October over September with continued gains through November and December.

But the improvement has to be put into perspective. Even a 10 to 15% monthly increase is not a boom rate of improvement. It is believed that third quarter earnings of the steel companies will be the lowest level in years.

### 1963 Auto Output Gains Momentum

Rapidly reaching an optimum assembly pace in 1963 model production, U. S. auto makers last week scheduled a 21.5% increase in output from a week ago, *Ward's Automotive Reports* said in its latest survey.

The statistical agency estimated production for the period ending Sept. 21 would reach 141,240 units. Two weeks ago, 116,282 assemblies were counted, and in the corresponding week of a year ago, assailed by strikes, the industry made only 73,034 cars.

*Ward's* said that overtime operations were extensive Sept. 22. Ford Motor Co. programming called for Saturday work at 11 of 16 assembly plants it maintained, including two-shift operations at four factories making both cars and trucks.

American Motors Corp. put in its third consecutive two-shift Saturday operation at its single Kenosha (Wis.) plant Sept. 22, and Studebaker Corp., at South Bend (Ind.), although concluding operations for this week, have been on 10-hour shifts.

General Motors Corp., the industry's largest producer, continued its most rapid new-model production build-up since the 1956 model year last week, but contained operations in its five divisions within the five-day period ending Sept. 21.

Chrysler Corp., kicked-off its new-model public unveilings with its Chrysler and Imperial lines yesterday (Sept. 26), slated normal five-day production at six assembly points.

By the close of last week, *Ward's* said, 1963 model assembly was above 366,000 units.

### Rail Freight Down 1.6% From Year Ago

Loading of revenue freight in the week ended Sept. 15 totaled 586,626 cars, the Association of American Railroads announced. This was an increase of 91,340 cars or 18.4% above the preceding week which was affected by the Labor Day holiday. Loadings in both weeks were affected by a complete work stoppage on the Chicago and North Western system.

The loadings represented a decrease of 9,403 cars or 1.6% below the corresponding week in 1961, and a decrease of 12,115 cars or 2.0% below the corresponding week in 1960.

There were 12,020 cars reported loaded with one or more revenue highway trailers or highway containers (piggyback) in the week ended Sept. 8, 1962, (which were included in that week's over-all total). This was an increase of 2,219 cars or 22.6% above the corresponding week of 1961 and 3,064 cars or 34.2% above the 1960 week.

Cumulative piggyback loadings for the first 36 weeks of 1962 totaled 476,850 cars for an increase of 81,914 cars or 20.7% above the corresponding period of 1961, and 97,608 cars or 25.7% above the corresponding period in 1960. There were 61 class I U. S. railroad systems originating this type traffic in this year's week compared with 58 one year ago and 55 in the corresponding week in 1960.

### Intercity Trucking 5% Ahead of Last Year

Intercity truck tonnage in the week ended Sept. 15 was an even 5% ahead of the corresponding week of 1961, the American Trucking Associations announced Sept. 21. Truck tonnage was 20.3% ahead of the volume for the previous week of this year. The sizable week-to-week increase is consistent with that found in earlier years for the week following the Labor Day holiday.

The year-to-year gain represents the most favorable weekly finding since mid-summer. During the two weeks ending on Saturday, Sept. 22, the survey indicated that general freight traffic had shifted from a level slightly below 1961 to a gain of 2.5% for the week ended Sept. 15 and a 5.0% increase for last week. This result is particularly favorable, an ATA spokesman stated, since the usual late summer upturn was especially strong at this time a year ago.

### Lumber Output Declines 1.5% Below 1961 Level

Lumber production in the United States in the week ended Sept. 15, totaled 224,787,000 board feet compared with 182,941,000 in the prior week, according to reports from regional associations. A year ago the figure was 228,684,000 board feet.

Compared with 1961 levels, output declined 1.5%, shipments 0.5% and new orders 2.6%.

Following are the figures in thousands of board feet for the weeks indicated:

| | Sept. 15 1962 | Sept. 8 1962 | Sept. 16 1961 |
|---|---|---|---|
| Production | 224,787 | 182,941 | 228,684 |
| Shipments | 224,602 | 181,440 | 225,610 |
| New orders | 210,540 | 182,087 | 215,964 |

### Electric Output Up 9.4% Over Last Year

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Sept. 22, was estimated at 16,439,000,000 kwh., according to the Edison Electric Institute. Output was 398,000,000 kwh. below that of the previous week's total of 16,837,000,000 kwh. and 1,414,000,000 kwh. or 9.4% above the total output of the comparable 1961 week.

### Business Failures Up in Latest Week

Commercial and industrial failures took an upturn to 311 in the week ended Sept. 20 from 270 in the preceding week, reported Dun & Bradstreet, Inc. However, casualties fell below last year's level of 337 for the comparable week and 321 in 1960. Some 30% more businesses succumbed than in pre-war 1939 when the toll was 239.

Failures with liabilities in excess of $100,000 held steady, numbering 36 as against 37 in the preceding week and 34 last year. Casualties with losses under $100,000 climbed to 275 from 233 but were down from their comparable 1961 level of 303.

All industry and trade groups except wholesaling suffered more failures than last week. The sharpest upswing appeared in retailing, up to 146 from 119, and in construction up to 55 from 45. Slighter increases lifted the toll among manufacturing to 53 from 48 and among commercial services to 29 from 24. Fewer concerns failed than a year ago in wholesaling, retailing and commercial service, but both manufacturing and construction mortality remained above 1960 levels.

Geographically, the week's rise was concentrated in six regions. It was particularly sharp in the Middle Atlantic States where the toll climbed to 95 from 65, in the West North Central, up to 21 from 6 and in the Pacific up to 75 from 65. As well, tolls rose moderately in the South Atlantic, East South Central and Mountain States. The week's only declines centered in the West South Central off to 18 from 21 and in the New England States. Five of the nine major regions had fewer casualties than last year.

### Wholesale Food Prices Inch Up in Latest Week

Following a slight easing a week ago, the Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc., edged up again on Sept. 25 to $5.97. Although 0.3% above the $5.95 registered both in the preceding week and in the similar week a year ago, the index did not equal the level attained in the first two weeks of September this year.

Appreciable price advances were chalked up for butter and sugar at wholesale markets, and corn, bellies, cocoa, and hogs moved moderately higher. Partially offsetting these increases were dips in the prices quoted for wheat, oats, hams, lard, cottonseed oil and steers.

The Dun & Bradstreet, Inc. Wholesale Food Price 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 Commodity Price Index Off From Prior Week

The general wholesale commodity price level continued down again in the latest week to the lowest level so far this month, reported Dun & Bradstreet, Inc., and it remained considerably below its year ago level. Substantial declines in wheat, hogs and steers and fractional declines in rye, oats, coffee, lambs and hides offset increases in corn, sugar, butter, rubber and silver.

The Daily Wholesale Commodity Price Index eased to 272.33 (1930-32=100) on Monday, Sept. 24, down from 272.80 on the corresponding day a week ago and fell considerably below last year's level of 275.36.

### Consumer Purchases Hold to Good Pace

The weather was mixed and so were retail sales in the week ended Wednesday, Sept. 19, but overall buying maintained a solid advance over 1961 volume. With shifting conditions of dry and wet, hot and cool prevailing in most sections of the country, the shopping pace slowed from the heavy clip of the previous week but still held a substantial edge over last year. Women's apparel, junior wear and men's clothing continued to gain, but home goods activity see-sawed considerably. While car sales slackened in the usual lull preceding the advent of new models, they still ran far ahead of year-ago levels for the same period.

The total dollar volume of retail trade in the reported week ranged from 3 to 7% higher than last year, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from comparable 1961 levels by the following percentages: West North Central and East South Central 0 to +4; Mountain +1 to +5; New England and East North Central +2 to +6; South Atlantic +3 to +7; Pacific +4 to +8; Middle Atlantic +5 to +9; West South Central +6 to +10.

### Nationwide Department Store Sales Rose 6% Above 1961 Week

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index reported a 6% advance for the week ended Sept. 15, 1962, compared with the like period in 1961. For the week ended Sept. 8, sales rose 13% from the corresponding 1961 week. In the four week period ended Sept. 15, 1962, sales advanced 5% over the corresponding period in 1961.

According to the Federal Reserve System department store sales in New York City for the week ended Sept. 15, were 8% above the same period in 1961.

# 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 & STEEL INSTITUTE:** | | | | | |
| Steel ingots and castings (net tons) | Sep. 22 | 1,715,000 | 1,682,000 | 1,616,000 | 2,114,000 |
| Index of production based on average weekly production for 1957-1959 | Sep. 22 | 92.1 | 90.3 | 86.7 | 113.5 |
| Unofficial indicated steel operations (per cent capacity). The American Iron & Steel Institute discontinued issuing this data late in 1960 | Sep. 22 | 58.5 | 57.5 | 86.7 | 72.5 |
| **AMERICAN PETROLEUM INSTITUTE:** | | | | | |
| Crude oil and condensate output—daily average (bbls. of 42 gallons each) | Sep. 14 | 7,307,760 | 7,320,860 | 7,283,710 | 7,094,560 |
| Crude runs to stills—daily average (bbls.) | Sep. 14 | 8,476,000 | 8,581,000 | 8,562,000 | 7,241,000 |
| Gasoline output (bbls.) | Sep. 14 | 30,647,000 | 31,327,000 | 30,713,000 | 29,482,000 |
| Kerosene output (bbls.) | Sep. 14 | 2,898,000 | 3,204,000 | 2,899,000 | 2,605,000 |
| Distillate fuel oil output (bbls.) | Sep. 14 | 13,210,000 | 13,106,000 | 13,472,000 | 13,336,000 |
| Residual fuel oil output (bbls.) | Sep. 14 | 5,552,000 | 5,531,000 | 5,213,000 | 5,647,000 |
| Stocks at refineries, bulk terminals, in transit, in pipe lines | | | | | |
| Finished gasoline (bbl.) at | Sep. 14 | 179,792,000 | 178,749,000 | *180,547,000 | 175,102,000 |
| Kerosene (bbls.) at | Sep. 14 | 35,989,000 | 36,429,000 | 33,898,000 | 35,300,000 |
| Distillate fuel oil (bbls.) at | Sep. 14 | 165,301,000 | *163,906,000 | 149,269,000 | 160,855,000 |
| Residual fuel oil (bbls.) at | Sep. 14 | 54,223,000 | 53,486,000 | 51,898,000 | 49,430,000 |
| **ASSOCIATION OF AMERICAN RAILROADS:** | | | | | |
| Revenue freight loaded (number of cars) | Sep. 15 | 586,626 | 495,286 | 582,626 | 596,029 |
| Revenue freight received from connections (no. of cars) | Sep. 15 | 495,345 | 460,461 | 484,342 | 489,372 |
| **CIVIL ENGINEERING CONSTRUCTION—ENGINEERING NEWS-RECORD:** | | | | | |
| Total U. S. construction | Sep. 20 | $467,900,000 | $413,600,000 | $397,800,000 | $399,500,000 |
| Private construction | Sep. 20 | 240,500,000 | 193,700,000 | 212,400,000 | 219,000,000 |
| Public construction | Sep. 20 | 227,400,000 | 219,900,000 | 185,400,000 | 180,500,000 |
| State and municipal | Sep. 20 | 186,400,000 | 191,600,000 | 157,500,000 | 149,000,000 |
| Federal | Sep. 20 | 41,000,000 | 28,300,000 | 27,900,000 | 31,500,000 |
| **COAL OUTPUT (U. S. BUREAU OF MINES):** | | | | | |
| Bituminous coal and lignite (tons) | Sep. 15 | 8,690,000 | *7,355,000 | 8,650,000 | 8,816,000 |
| Pennsylvania anthracite (tons) | Sep. 15 | 293,000 | 271,000 | 283,000 | 365,000 |
| **DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1957-59 AVERAGE=100** | Sep. 15 | 114 | 105 | 106 | 108 |
| **EDISON ELECTRIC INSTITUTE:** | | | | | |
| Electric output (in 000 kwh.) | Sep. 22 | 16,439,000 | 16,837,000 | 17,320,000 | 15,025,000 |
| **FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.** | Sep. 20 | 311 | 270 | 285 | 337 |
| **IRON AGE COMPOSITE PRICES:** | | | | | |
| Finished steel (per lb.) | Sep. 17 | 6.196c | 6.196c | 6.196c | 6.196c |
| Pig iron (per gross ton) | Sep. 17 | $66.44 | $66.44 | $66.44 | $66.44 |
| Scrap steel (per gross ton) | Sep. 17 | $26.50 | $26.50 | $27.50 | $39.50 |
| **METAL PRICES (E. & M. J. QUOTATIONS):** | | | | | |
| Electrolytic copper— | | | | | |
| Domestic refinery at | Sep. 19 | 30.600c | 30.600c | 30.600c | 30.600c |
| Export refinery at | Sep. 19 | 28.625c | 28.650c | 28.575c | 27.900c |
| Lead (New York) at | Sep. 19 | 9.500c | 9.500c | 9.500c | 11.000c |
| Lead (St. Louis) at | Sep. 19 | 9.300c | 9.300c | 9.300c | 10.800c |
| ‡Zinc (delivered) at | Sep. 19 | 12.000c | 12.000c | 12.000c | 12.000c |
| Zinc (East St. Louis) at | Sep. 19 | 11.500c | 11.500c | 11.500c | 11.500c |
| Aluminum (primary pig, 99.5%) at | Sep. 19 | 24.000c | 24.000c | 24.000c | 26.000c |
| Straits tin (New York) at | Sep. 19 | 108.500c | 108.375c | 108.250c | 119.125c |
| **MOODY'S BOND PRICES DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | Sep. 25 | 89.04 | 88.71 | 88.76 | 87.31 |
| Average corporate | Sep. 25 | 87.45 | 87.32 | 87.05 | 85.59 |
| Aaa | Sep. 25 | 91.48 | 91.48 | 91.05 | 89.51 |
| Aa | Sep. 25 | 89.51 | 89.37 | 89.23 | 87.59 |
| A | Sep. 25 | 87.32 | 87.18 | 86.78 | 84.68 |
| Baa | Sep. 25 | 82.03 | 81.90 | 81.66 | 80.81 |
| Railroad Group | Sep. 25 | 83.91 | 83.79 | 83.53 | 82.90 |
| Public Utilities Group | Sep. 25 | 88.81 | 88.81 | 88.81 | 86.51 |
| Industrials Group | Sep. 25 | 89.64 | 89.51 | 88.95 | 87.32 |
| **MOODY'S BOND YIELD DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | Sep. 25 | 3.82 | 3.87 | 3.85 | 3.93 |
| Average corporate | Sep. 25 | 4.60 | 4.61 | 4.63 | 4.74 |
| Aaa | Sep. 25 | 4.31 | 4.31 | 4.34 | 4.45 |
| Aa | Sep. 25 | 4.45 | 4.46 | 4.47 | 4.59 |
| A | Sep. 25 | 4.61 | 4.62 | 4.65 | 4.81 |
| Baa | Sep. 25 | 5.02 | 5.03 | 5.05 | 5.12 |
| Railroad Group | Sep. 25 | 4.87 | 4.88 | 4.90 | 4.95 |
| Public Utilities Group | Sep. 25 | 4.49 | 4.50 | 4.50 | 4.67 |
| Industrials Group | Sep. 25 | 4.44 | 4.45 | 4.49 | 4.61 |
| **MOODY'S COMMODITY INDEX** | Sep. 25 | 366.4 | 365.4 | 369.1 | 378.4 |
| **NATIONAL PAPERBOARD ASSOCIATION:** | | | | | |
| Orders received (tons) | Sep. 15 | 343,679 | 301,263 | 328,775 | 358,696 |
| Production (tons) | Sep. 15 | 358,534 | 257,064 | 358,439 | 347,649 |
| Percentage of activity | Sep. 15 | 98 | 72 | 98 | 98 |
| Unfilled orders (tons) at end of period | Sep. 15 | 498,222 | 514,740 | 493,054 | 563,859 |
| **OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE=100** | Sep. 21 | 112.42 | 113.62 | 112.83 | 113.74 |
| **ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS** | | | | | |
| Transactions of specialists in stocks in which registered— | | | | | |
| Total purchases | Aug. 31 | 2,006,130 | 2,923,900 | 2,300,370 | 2,238,810 |
| Short sales | Aug. 31 | 431,370 | 632,710 | 520,660 | 326,360 |
| Other sales | Aug. 31 | 1,652,690 | 2,173,370 | 1,708,970 | 1,811,050 |
| Total sales | Aug. 31 | 2,084,060 | 2,806,080 | 2,229,630 | 2,137,410 |
| Other transactions initiated off the floor— | | | | | |
| Total purchases | Aug. 31 | 379,300 | 686,730 | 420,030 | 354,050 |
| Short sales | Aug. 31 | 44,600 | 97,100 | 104,800 | 19,700 |
| Other sales | Aug. 31 | 369,820 | 495,090 | 320,000 | 318,290 |
| Total sales | Aug. 31 | 414,420 | 592,190 | 424,800 | 337,990 |
| Other transactions initiated on the floor— | | | | | |
| Total purchases | Aug. 31 | 678,846 | 1,067,985 | 789,055 | 772,060 |
| Short sales | Aug. 31 | 96,074 | 225,019 | 141,680 | 57,520 |
| Other sales | Aug. 31 | 572,740 | 955,631 | 728,800 | 678,300 |
| Total sales | Aug. 31 | 668,814 | 1,180,650 | 870,480 | 735,820 |
| Total round-lot transactions for account of members— | | | | | |
| Total purchases | Aug. 31 | 3,064,276 | 4,678,615 | 3,509,455 | 3,364,920 |
| Short sales | Aug. 31 | 572,044 | 954,829 | 767,140 | 403,580 |
| Other sales | Aug. 31 | 2,595,250 | 3,624,091 | 2,757,770 | 2,807,640 |
| Total sales | Aug. 31 | 3,167,294 | 4,578,920 | 3,524,910 | 3,211,220 |
| **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. 31 | 1,177,638 | 1,600,511 | 1,295,762 | 1,576,399 |
| Dollar value | Aug. 31 | $59,023,305 | $79,561,191 | $63,655,857 | $87,722,088 |
| Odd-lot purchases by dealers (customers' sales)— | | | | | |
| Number of orders—customers' total sales | Aug. 31 | 1,214,022 | 1,578,678 | 1,319,286 | 1,633,482 |
| Customers' short sales | Aug. 31 | 29,393 | 29,913 | 35,838 | 9,225 |
| Customers' other sales | Aug. 31 | 1,184,629 | 1,548,765 | 1,283,448 | 1,124,257 |
| Dollar value | Aug. 31 | $59,580,963 | $79,971,767 | $66,218,909 | $81,378,616 |
| Round-lot sales by dealers— | | | | | |
| Number of shares—Total sales | Aug. 31 | 427,020 | 498,520 | 404,680 | 517,100 |
| Short sales | Aug. 31 | ------ | ------ | ------ | ------ |
| Other sales | Aug. 31 | 427,020 | 498,520 | 404,680 | 517,100 |
| Round-lot purchases by dealers—Number of shares | Aug. 31 | 372,670 | 513,100 | 405,180 | 494,080 |
| **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. 31 | 876,780 | 1,395,770 | 1,111,280 | 518,480 |
| Other sales | Aug. 31 | 13,833,170 | 19,773,040 | 16,296,600 | 15,282,710 |
| Total sales | Aug. 31 | 14,709,950 | 21,168,810 | 17,407,880 | 15,801,190 |
| **WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49=100):** | | | | | |
| Commodity Group— | | | | | |
| All commodities | Sep. 18 | 101.1 | *101.1 | 100.7 | a |
| Farm products | Sep. 18 | 100.0 | *100.5 | 98.0 | a |
| Processed foods | Sep. 18 | 102.6 | *103.2 | 101.9 | a |
| Meats | Sep. 18 | 102.7 | *105.7 | 101.1 | a |
| All commodities other than farm and foods | Sep. 18 | 100.8 | *100.8 | 100.8 | a |

*Revised figure. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound. a Not available.

| | Latest Month | Previous Month | Year Ago |
|---|---|---|---|
| **BANK DEBITS — BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of August (000's omitted)** | $281,200,000 | $279,700,000 | $255,500,000 |
| **BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of August (in millions):** | | | |
| Total new construction | 5,783 | *5,754 | 5,402 |
| Private construction | 4,009 | *4,066 | 3,723 |
| Residential buildings (nonfarm) | 2,290 | *2,373 | 2,109 |
| New housing units | 1,739 | *1,747 | 1,578 |
| Additions and alterations | 437 | *513 | 428 |
| Nonhousekeeping | 114 | 113 | 103 |
| Nonresidential buildings | 1,039 | 1,025 | 937 |
| Industrial | 241 | 239 | 213 |
| Commercial | 471 | 469 | 416 |
| Office buildings and warehouses | 225 | 217 | 201 |
| Stores, restaurants, and garages | 246 | 252 | 215 |
| Other nonresidential buildings | 327 | 317 | 308 |
| Religious | 90 | 86 | 90 |
| Educational | 56 | 53 | 55 |
| Hospital and institutional | 83 | 82 | 69 |
| Social and recreational | 74 | 71 | 69 |
| Miscellaneous | 24 | 25 | 25 |
| Farm construction | 149 | *147 | 160 |
| Public utilities | 504 | *494 | 497 |
| Telephone and telegraph | 82 | *87 | 85 |
| Other public utilities | 422 | 407 | 412 |
| All other private | 27 | 27 | 20 |
| Public construction | 1,774 | *1,688 | 1,679 |
| Residential buildings | 74 | *78 | 69 |
| Nonresidential buildings | 476 | *461 | 462 |
| Industrial | n.a. | 29 | 30 |
| Educational | 271 | *273 | 275 |
| Hospital and institutional | 36 | *35 | 32 |
| Administrative and service | 68 | *60 | 69 |
| Other nonresidential buildings | 69 | *64 | 56 |
| Military facilities | n.a. | *117 | 113 |
| Highways | n.a. | *643 | 651 |
| Sewer and water systems | 169 | *165 | 149 |
| Sewer | 104 | *103 | 86 |
| Water | 65 | 62 | 63 |
| Public service enterprises | 51 | *48 | 66 |
| Conservation and development | n.a. | *142 | 133 |
| All other public | 35 | 34 | 36 |
| **BUSINESS FAILURES—DUN & BRADSTREET INC.—Month of August:** | | | |
| Manufacturing number | 227 | 215 | 260 |
| Wholesale number | 133 | 112 | 164 |
| Retail number | 622 | 545 | 789 |
| Construction number | 217 | 187 | 262 |
| Commercial service number | 120 | 106 | 129 |
| Total number | 1,319 | 1,165 | 1,604 |
| Manufacturing liabilities | $36,170,000 | $21,598,000 | $26,175,000 |
| Wholesale liabilities | 16,887,000 | 11,923,000 | 13,060,000 |
| Retail liabilities | 53,180,000 | 29,999,000 | 29,384,000 |
| Construction liabilities | 33,618,000 | 22,412,000 | 27,716,000 |
| Commercial service liabilities | 6,977,000 | 5,642,000 | 6,358,000 |
| Total liabilities | $146,832,000 | $91,574,000 | $102,693,000 |
| **BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of August** | 14,955 | 14,957 | 15,079 |
| **COMMERCIAL PAPER OUTSTANDING — FEDERAL RESERVE BOARD OF NEW YORK—As of August 31 (000's omitted)** | $2,119,000 | $2,002,000 | $1,617,000 |
| **CONSUMER PRICE INDEX — 1957-59 = 100—Month of July:** | | | |
| All items | 105.5 | 105.3 | 104.4 |
| Food | 103.8 | 103.5 | 103.4 |
| Food at home | 102.4 | 102.1 | 102.4 |
| Cereal and bakery products | 107.9 | 107.4 | 105.9 |
| Meats, poultry and fish | 100.8 | 99.7 | 97.7 |
| Dairy products | 103.5 | 102.7 | 104.2 |
| Fruits and vegetables | 109.9 | 111.9 | 111.8 |
| Other food at home | 94.1 | 93.4 | 97.6 |
| Food away from home (Jan. 1958 = 100) | 110.9 | 110.6 | 108.0 |
| Housing | 104.8 | 104.8 | 103.8 |
| Rent | 105.7 | 105.6 | 104.4 |
| Gas and electricity | 108.0 | 107.7 | 107.7 |
| Solid fuels and fuel oil | 99.7 | 99.4 | 99.7 |
| Housefurnishings | 99.0 | 99.1 | 99.5 |
| Household operation | 107.5 | 107.4 | 106.1 |
| Apparel | 102.9 | 102.8 | 102.3 |
| Men's and boys' | 103.2 | 103.1 | 102.6 |
| Women's and girls' | 100.4 | 100.5 | 100.7 |
| Footwear | 109.2 | 109.1 | 107.6 |
| Other apparel | 100.8 | 100.4 | 100.9 |
| Transportation | 106.8 | 107.3 | 105.3 |
| Private | 105.4 | 106.0 | 104.3 |
| Public | 115.6 | 115.6 | 112.0 |
| Medical care | 114.6 | 114.4 | 111.6 |
| Personal care | 106.8 | 106.1 | 104.8 |
| Reading and recreation | 110.0 | 109.2 | 107.2 |
| Other goods and services | 105.6 | 105.2 | 104.9 |
| **COTTON AND LINTERS — DEPARTMENT OF COMMERCE—RUNNING BALES:** | | | |
| Consumed, month of July | 691,767 | 708,929 | 536,831 |
| In consuming establishments as of Aug. 4 | 1,536,214 | 1,783,845 | 1,905,631 |
| In public storage as of Aug. 4 | 6,123,426 | 6,680,771 | 4,775,307 |
| Linters—Consumed month of July | 84,099 | 104,428 | 75,641 |
| Stocks—Aug. 4 | 575,655 | 598,610 | 467,958 |
| Cotton spindles active as of Aug. 4 | 16,773,000 | 16,869,000 | 17,279,000 |
| **COTTON GINNING (DEPT. OF COMMERCE):** | | | |
| September 1, spinning bales | 1,500,627 | ------ | 684,942 |
| **FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of August:** | | | |
| Weekly earnings— | | | |
| All manufacturing | $95.75 | $96.56 | $92.86 |
| Durable goods | 103.63 | 104.04 | 100.44 |
| Nondurable goods | 86.40 | 86.80 | 83.58 |
| Hours— | | | |
| All manufacturing | 40.4 | 40.4 | 40.2 |
| Durable goods | 40.8 | 40.8 | 40.5 |
| Nondurable goods | 40.0 | 40.0 | 39.8 |
| Hourly earnings— | | | |
| All manufacturing | $2.37 | $2.39 | $2.31 |
| Durable goods | 2.54 | 2.55 | 2.48 |
| Nondurable goods | 2.16 | 2.17 | 2.10 |
| **NEW YORK STOCK EXCHANGE—As of August 31 (000's omitted):** | | | |
| Member firms carrying margin accounts— | | | |
| Total customers' net debit balances | $3,772,000 | $3,592,000 | $4,021,000 |
| Credit extended to customers | 23,000 | 29,000 | 49,000 |
| Cash on hand and in banks in U. S. | 388,000 | 415,000 | 436,000 |
| Total of customers free credit balances | 1,127,000 | 1,252,000 | 1,208,000 |
| Market value of listed bonds | 108,523,518 | 105,471,579 | 108,455,292 |
| Market value of listed shares | 324,513,774 | 318,839,254 | 368,653,380 |
| Member borrowings of U. S. Govt. issues | 592,000 | 258,000 | 443,060 |
| Member borrowings on other collateral | 2,552,000 | 2,173,000 | 2,794,000 |

*Estimated. n.a. Not available.

# A Guide to Bond Refunding By the Utility Industry

*Continued from page 4*

the responsibility of the common stockholders. A utility company making an investment in property will normally anticipate a return equal to its over-all of capital or to its over-all rate of return. If, for example, this return is 6½%, the utility company will expect to finance its investment in property with a normal balance between debt and equity capital so as to maintain this 6½% return. But, when a utility company makes the investment required to call a bond issue before maturity, all of the costs of call must be eventually debited to surplus which is part of the common stock equity capital. The capitalization ratio as between debt and equity will not be restored until the interest savings are realized and credited to surplus over the life of the old bonds or until new equity capital is added. Therefore, as the dollar cost to call is an investment by the common stockholders, and as the cost is their responsibility, the return provided by the interest savings should be sufficient to restore the dollar investment and to provide an *equity return* on the investment.

### Equity Return Required

The proper guide for a utility company considering a bond refunding is the return it expects to earn on the common equity. If the expected return is 12%, then for the refunding to be desirable, the rate of the new issue must afford interest savings which will provide a 12% return on the dollar cost of call and amortize this investment over the life of the old bond.

The investment required to call the $10 million, 5½% bond issue as assumed in the example was $546,000, or 5.46% in terms of principal amount. This is a common stock equity investment. To provide an equity return of 12% on this investment and to amortize this amount in 25 years requires annual interest savings of $69,600.[1] The annual interest savings of $69,600 subsracted from $550,000 for the 5½% issue leaves interest charges for the new issue of $480,400, or a percentage cost of 4.80%.

If the utility company wants to earn 15% of its common stock equity, the annual interest savings required to provide this return and to amortize the $546,000 investment required in calling the bonds would be $84,500 (the annuity factor of .15470 x $546,000). These annual interest savings subtracted from $550,000 for the 5½%, $10 million issue leave interest charges on the new issue of $465,500, or a percentage cost of 4.66%.

If the utility company is content with a 10% return on its common stock equity the annual savings required to provide this return and to amortize the $546,000 cost of call would be $60,200 (the annuity factor of .11017 x $546,000). These annual interest savings subtracted from the $550,000 charges on the old issue leave annual interest charges on the new issue of $489,800, or a percentage cost of 4.90%.

Thus, in this example, the utility company with a 5½%, $10 million bond issue due in 25 years can, by spending $546,000 for calling the issue, obtain a return on this $546,000 investment of 10% in the form of interest savings if the bonds are sold at a cost to the company of 4.90%, a return of 12% if the bonds are sold at 4.80% and a return of 15% if the bonds are sold at 4.66%.

### Time Hazard

While the equity return approach permits a more precise guide than the bond yield approach in determining the feasibility of refunding, it gives no assurance that the new bonds will be sold at the desired price. Unless the time hazard is eliminated, the possibility remains of an adverse price movement in the bond market during the period required to consummate the sale of the new bonds.

The time interval between the date when a company decides to sell a new bond issue and the date of its sale will usually be from 10 to 12 weeks for a public offering, whether negotiated or competitive. During this period, costs start accumulating as the accountants and lawyers proceed with the necessary work. The hazard of an adverse price movement in the bond market during this period has particular significance in a refunding operation. The refunding remains optional with the management until the old bonds are actually called; and management will not want to complete the refunding unless the cost of the new issue is such that the interest savings will provide an adequate return on the dollar cost of call. This means that if, during the financing period, it is found that the new issue cannot be sold at a cost which will produce adequate interest savings, the decision may be made to abandon the refunding and to absorb the costs expended to date on the new issue. A new capital financing, on the other hand, is usually not optional. This means that under most circumstances, the company will proceed with a new capital financing even though the bond market moves adversely during the period of financing.

Because of the ever-present hazard of an adverse price movement in the bond market, it behooves management in a refunding operation to allow itself some leeway before committing the company to the expenses required to ready a new issue for sale.

### Maximum and Minimum Equity Returns

Many managements, in considering the desired reurn on the common stock equity, do so in terms of a range rather than of a specific percentage return. For example, the management of a utility company with an average return on the common stock equity of 12% may think in terms of a range of from 10% to 15%. Under the most favorable conditions, the company's return on its common stock equity may approach 15%. The lower end of the range—10%—will be considered close to the bare minimum required to attract common stock capital on satisfactory terms and to maintain the financial strength of the company. Such a utility company, in considering whether or not to proceed with a refunding requiring some time to consummate, would be well advised to base its refunding decision at the maximum of its desired equity return—that is, at 15%. Then if, in the financing period, the bond market turns adversely, the company might still be able to sell the new bonds at a price at which the interest savings would provide a sufficient return to justify the outlay of capital required.

Let it be assumed that the management of the utility company with the $10 million, 5½% bond issue in the example thinks in terms of this range of 10% to 15% return on its common equity. Let it also be assumed that the management believes that a new 4⅝% bond can be sold by the company at par. As has previously been shown, to realize the maximum desired return of 15% and to recover the cost of call, the company must obtain its new money at 4.66%, or slightly above the estimated cost of 4⅝%. Therefore, the utility company under the assumed conditions can make the decision to refund with the knowledge that if the bond market holds steady or improves and if the new bonds are sold on a 4.66% basis or better, the return on the additional $546,000 investment required will be at least 15%. At the same time, leeway has been provided for a price decline in the bond market during the financing period before the potential interest savings would be so small as to make the refunding unattractive. If, during the financing period, interest rates increased so that the cost of the new issue was 4⅞%, or 25 basis points higher than the originally estimated cost of 4⅝%, the interest savings would still result in a return on the investment of 10.5%, or just above the 10% minimum return desired.

In a situation in which the bond market turns adversely during the financing period, a company might decide to go ahead with the financing even though the interest savings no longer produced the minimum return desired. Consideration would be given to the fact that expenses had already been incurred and also to possible unfavorable publicity resulting from withdrawal of the financing. In the example, the company would still earn a 10½% return on the $546,000 required to refund if the bonds were sold at a 4⅞% cost, or 25 basis points higher than the estimated 4⅝% cost, which served as the basis for the decision to go ahead with the financing. But if the company had decided to proceed with refunding plans at a time when the estimated cost of the new issue was 4.90%, at which rate it has been shown the savings would result in a 10% return on the cost of call, there would be virtually no leeway provided for a possible adverse movement in the bond market. An increase in the cost of the new issue of 25 basis points during the financing period, or from 4.90% to 5.15%, would virtually wipe out the interest savings and reduce the return on the equity investment far below an acceptable equity return. Under such circumstances, the refunding probably would be abandoned and the company would have to absorb the costs incurred up to that point.

### Combination Financing

As previously stated, the hazard of an adverse price movement during the period required to consummate financing has particular significance in a refunding operation. Financing to provide for additions to plant is seldom optional and, while some flexibility may be provided through the use of bank loans, all property additions must eventually be financed with permanent capital regardless of the cost. But a refunding is optional and the decision to call an issue before maturity should not be made unless the potential interest savings will produce the desired equity return on the investment. However, while the decision as to whether or not to proceed with the refunding is at the option of management, once the decision is made, the hazard of an adverse price movement in the bond market reducing or wiping out the potential interest savings continues until the financing is consummated. It should be noted that a utility company will often be able to combine a refunding operation with new capital financing. If the company in the example needed $15 million for new plant, it could plan a $25 million financing, $15 million for new capital and $10 million to call the old high-coupon issue. Then, if the bond market turned adversely during the financing period, the financing could be cut back to the $15 million needed for plant expansion. The additional costs entailed would be small and the financing costs would be spread over $15 million instead of $25 million of debt.

### Advantage of Private Placement

Combining a refunding operation with a new financing, however, gives no assurance that the utility company will sell its new bonds at the estimated rate and thereby obtain the desired interest savings. The combined financing method merely minimizes unnecessary expenditures in the event the bond market turns adversely and the refunding part of the financing is abandoned. Because of the time hazard, financing through private placement has particular attraction in a refunding operation. With a private placement, the utility company is justified in going ahead with the refunding when the interest savings provide the minimum desired equity return. But if the company plans to sell the new bonds publicly, as many utility companies are required to do, the decision to go ahead with the refunding should be made only if the estimated interest savings provide a maximum equity rate of return.

### Computation of Required Interest Cut

The interest reduction required to give the desired equity return may be computed by reference to standard annuity tables. The steps are as follows:

(1) Determine the total dollar cost for calling the old issue. These costs include the redemption premium and duplicate interest. Other costs, such as publication of the call notice, are usually minimal and have not been included in the example. The cost of financing attaches to the new issue and should be considered in determining the cost of the new issue.

(2) Express the dollar cost of call in terms of principal amount. In the example, this is $546,000 divided by $10 million, or 5.46%.

(3) From an annuity table, find the annual payment necessary to pay off $1 over the remaining years of the old bond at the desired equity return. At 15% for 25 years this would be .15470.

(4) Determine the annual interest reduction required to pro-

REFUNDING GUIDE
REDUCTION IN INTEREST RATE REQUIRED TO AMORTIZE COST OF CALL AND TO PROVIDE A RETURN OF 12%

(In Basis Points)

| Years to Maturity | Redemption Cost as Percent of Principal Amount: 110 | 109-1/2 | 109 | 108-1/2 | 108 | 107-1/2 | 107 | 106-1/2 | 106 | 105-1/2 | 105 | 104-1/2 | 104 | 103-1/2 | 103 | Years to Maturity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 30 | 124 | 118 | 112 | 106 | 99 | 93 | 87 | 81 | 75 | 68 | 62 | 56 | 50 | 44 | 37 | 30 |
| 29 | 125 | 118 | 112 | 106 | 100 | 94 | 87 | 81 | 75 | 69 | 62 | 56 | 50 | 44 | 37 | 29 |
| 28 | 125 | 119 | 113 | 106 | 100 | 94 | 88 | 81 | 75 | 69 | 63 | 56 | 50 | 44 | 38 | 28 |
| 27 | 126 | 120 | 113 | 107 | 101 | 94 | 88 | 82 | 76 | 69 | 63 | 57 | 50 | 44 | 38 | 27 |
| 26 | 127 | 120 | 114 | 108 | 101 | 95 | 89 | 82 | 76 | 70 | 63 | 57 | 51 | 44 | 38 | 26 |
| 25 | 128 | 121 | 115 | 108 | 102 | 96 | 89 | 83 | 77 | $\boxed{70}$ | $\boxed{64}$ | 57 | 51 | 45 | 38 | 25 |
| 24 | 129 | 122 | 116 | 109 | 103 | 96 | 90 | 84 | 77 | 71 | 64 | 58 | 51 | 45 | 39 | 24 |
| 23 | 130 | 123 | 117 | 110 | 104 | 97 | 91 | 84 | 78 | 71 | 65 | 58 | 52 | 45 | 39 | 23 |
| 22 | 131 | 124 | 118 | 111 | 105 | 98 | 92 | 85 | 79 | 72 | 65 | 59 | 52 | 46 | 39 | 22 |
| 21 | 132 | 126 | 119 | 112 | 106 | 99 | 93 | 86 | 79 | 73 | 66 | 60 | 53 | 46 | 40 | 21 |
| 20 | 134 | 127 | 121 | 114 | 107 | 100 | $\boxed{94}$ | 87 | 80 | 74 | 67 | 60 | 53 | 47 | 40 | 20 |
| 19 | 136 | 129 | 122 | 115 | 109 | 102 | 95 | 88 | 81 | 75 | 68 | 61 | 54 | 47 | 41 | 19 |
| 18 | 138 | 131 | 124 | 117 | 110 | 104 | 97 | 90 | 83 | 76 | 69 | 62 | 55 | 48 | 41 | 18 |
| 17 | 141 | 133 | 126 | 119 | 112 | 106 | 98 | 91 | 84 | 77 | 70 | 63 | 56 | 49 | 42 | 17 |
| 16 | 143 | 136 | 129 | 122 | 115 | 108 | 100 | 93 | 86 | 79 | 72 | 65 | 57 | 50 | 43 | 16 |
| 15 | 147 | 140 | 132 | 125 | 118 | 110 | 103 | 95 | 88 | 81 | 73 | 66 | 59 | 51 | 44 | 15 |

Note: Each figure represents the cost of call times the annual payment necessary to amortize $1.00 at 12% over the indicated number of years; e.g. 107 for 20 years - 7% times .13388 equals .937% or 94 basis points.

STONE & WEBSTER SERVICE CORPORATION

[1] The annual interest savings required is derived from a present worth table. The annual payment necessary to amortize $1 over a 25-year period and to provide a 12% return is .12750. The annuity factor of .12750 times $546,000 equals $69,600.

vide the desired equity return and to amortize the investment in calling the bonds by multiplying the cost of call as determined in Step 2 by the annuity factor as determined in Step 3. In the example, this is 5.46% times .15470, equally .84% or 84 basis points.

(5) Subtract the interest reduction required as determined in Step 4 from the coupon rate on the old bond to give the required interest cost on the new bond—that is, 5½% minus 84 basis points, or 4.66%.

As a guide to determining the advisability of a refunding operation, the author has developed tables showing the interest reduction required expressed in basis points to provide for amortization of the cost of call and equity rates of return from 8% to 15%. Each table shows the interest reduction required to provide the indicated rate of return and to amortize the dollar cost of call at stated redemption costs from 103% to 110% of principal amount, in ½% intervals, and at yearly intervals from 15 years to 30 years. The 12%[2] Equity Return Table is shown at the end of this article.

For example, the minimum savings required for refunding a bond with redemption cost of 107.0% of principal amount with 20 years' remaining life in order to provide a 12% return on the additional investment required is 94 basis points, as circled in the table. For a company with a 5¼% bond, the required yield for the new bond would be 5¼% minus 94 basis points, or 4.31%.

The minimum interest reduction for the company with the $10 million, 5½% bond issue given in the example previously discussed may be readily determined from the table. The dollar cost of call was $546,000, or 5.46% of principal amount. Reference to the 12% equity return table shows that the interest reduction required at a 105½% redemption cost for 25 years is 70 basis points and at 105% is 64 basis points. By interpolation, the indicated interest reduction required for a redemption cost of 105.56% of par is shown to be 69½ basis points, or 70 basis points rounded. For the company with its 5½% bond due in 25 years, the desired yield for the new bond on the basis of a 12% equity return is 5½% minus 70 basis points, or 4.80% as previously computed from the annuity tables.

### Conclusions

In any refunding operation, there are, of course, other factors to be considered besides the dollar cost of call and the potential interest savings. However, the principal consideration is always the potential reduction in interest charges, and the other factors may usually be treated as plus or minus items. Reference has already been made to possible onerous indenture feaures that a refunding will eliminate. The effect of income taxes may be more complex than has been indicated. While it is true that the tax effect on cost of call and the tax effect on the interest savings tend to offset each other in a refunding operation, any rate proceeding may upset this balance to some extent. Then, too, there will often be additional tax reductions in the year of refunding as the result of charging off debt discount and expense on the old issue. However, as an offset to this, is the effect of accelerating the maturity of the old issue and paying the cost of the new issue in present-day dollars instead of paying the cost 20 to 25 years later. Certainly such factors as these should be taken into consideration in judging the advisability of a refunding operation.

The fundamental consideration, nevertheless, remains whether or not the potential interest savings justify the investment—an investment which is made by the common stockholders. In order that common equity is kept whole, the interest savings in refunding must be sufficient to amortize the cost of call over the remaining life of the old issue and thereby restore this amount to surplus and, at the same time, to provide an adequate return on the investment. And, as the investment is made by the common stockholders, the return should be a common stock equity return. A bond yield return is not sufficient; neither is the over-all rate of return of the company.

The interest rate at which the new bond will create interest savings sufficient to amortize the investment and to provide the *desired equity return* is an appropriate guide in determining whether or not to refund. Any lesser return fails to cover the cost of the equity capital.

The longer the time required to consummate a refunding operation, the greater the hazard of an adverse price movement reducing the interest savings below the desired return. A private placement is one method of eliminating the time hazard. A refunding based on the sale of bonds in a private placement at the break-even point assures the desired equity return. If, however, the sale of the new bonds is to be a public offering, the decision to refund should be based on a higher equity return. Most utility company managements in thinking of equity return do so on the basis of a range from a minimum return to a hoped-for maximum return. In order to provide some leeway for an adverse bond market movement during the financing period, where a public offering is required, utility management should base its decision to refund at a point that will produce interest savings which will provide a return at the top of the range.

2 The full set of tables may be obtained by writing the author, Eugene S. Merrill, Vice-President, Stone & Webster Service Corp., 90 Broad St., New York 4, New York.

# Meade & Co. Appoints Two

Meade & Co., 27 William St., New York City, have announced that Lawrence Levine has been appointed manager of their trading department, and Bernard Shwidock has been named institutional sales manager.

# Isaacs To Be V.-P. Of Stifel, Nicolaus

ST. LOUIS, Mo.—On Oct. 1, John A. Isaacs, Jr., will become a Vice-President of Stifel, Nicolaus & Co. Inc., 314 North Broadway, members of the New York and Midwest Stock Exchanges. Mr. Isaacs is President of Semple, Jacobs & Co., Inc.

# Canadian Pacific Investments Ltd.

MONTREAL, Canada — Canadian Pacific has announced the incorporation of a new subsidiary, Canadian Pacific Investments Limited.

N. R. Crump, Chairman and President, said: "Candian Pacific Investments Limited has been incorporated to carry on the business of an investment and holding company. Its activities will be limited to holding shares and other securities of companies in which Canadian Pacific has an interest, particularly those companies carrying on the development of natural resources.

"The new company has been formed to consolidate some Canadian Pacific non-transportation investments to simplify administration and in keeping with our policy of diversification."

Head office of the new company will be at Montreal. Authorized capital is 30,000,000 shares without nominal or par value. Permanent directors of the company will be elected soon.

# N.Y. Analysts Industry Forums

The New York Society of Security Analysts have announced the following industry forums:

September 25—Outlook for Aluminum Stocks: Norvin R. Greene, Lancaster & Norvin Greene; Ralph Michaud, Dean Witter & Co.; Theodore H. Gerken, Laird & Company, Corporation; and Edward A. Scully, Lehman Brothers, will be speakers. T. R. Murphy, Lehman Brothers, is Chairman.

October 9—Agency Problems of the Fire & Casualty Insurance Industry: Kenneth O. Force, National Underwriter Co.; Albert N. Graves, Travelers Insurance Co.; and Robert W. Strain, National Association of Insurance Agents, speakers. Clarence W. Brown, Lord, Abbett & Co., is Chairman.

October 17 — Outlook for the Publishing Industry: Wilton D. Cole, Crowell-Collier Publishing Co.; Morris Goldman, J. K. Lasser & Co.; and J. O'Connor, Grosset & Dunlap, speakers. E. V. Margand, Auerbach, Pollak & Richardson is Chairman.

# Netherlands Overseas Corp.

The Nederlandse Overzee Bank N. V. of Amsterdam has established an investment banking subsidiary, named Netherlands Overseas Corporation, at 63 Wall St., New York.

Derek C. Pey has been appointed President of Netherlands Overseas Corporation. Previously he was Vice-President of Istel, Lepercq & Co., Inc., New York, the international investment banking and counselling firm.

# Nicholas P. Wahl With Milwaukee Company

MILWAUKEE, Wis.—Nicholas P. Wahl is now with **The Milwaukee Company**, 207 East Michigan St., members of the New York and Midwest Stock Exchanges.

# TAX-EXEMPT BOND MARKET

*Continued from page 6*

Detroit public sewer (1963-1987) bonds at a net interest cost of 3.101% and for $1,910,000 various purpose (1963-1987) bonds at a net interest cost of 3.047%. The $5,000,000 bonds were offered at 1.60% in 1963 to 3.30% in 1985; bonds due in 1986 and 1987, carrying a one-quarter of 1% coupon, were sold pre-sale. The $1,910,000 bonds were offered to yield 1.60% in 1963 to 3.25% in 1983. The bonds due 1984 to 1987 were not offered. The present balance is $4,000,000.

The syndicate headed jointly by Halsey, Stuart & Co., Inc. and the First of Michigan Corp. was the successful bidder for $5,000,000 water supply system revenue (1967-1992) bonds at a net interest cost of 3.2048%. The runner-up bid for this issue of a 3.210% net interest cost was made by the Lehman Brothers group. Other major members of the winning group include Kidder, Peabody & Co., White, Weld & Co., A. G. Becker & Co., Inc., Hornblower & Weeks, Dean Witter & Co., Carl M. Loeb, Rhoades & Co. and Weeden & Co. Scaled to yield from 2.10% to 3.30%, about 25% of the bonds have been sold.

The remaining $1,000,000 Detroit, public utility street railway (1963-1970) bonds were purchased by the Bankers Trust Co. account at a 2.531% net interest cost. No scale was released and the bonds were not reoffered.

### A "Bank" Deal

Greensboro, North Carolina sold $6,790,000 various purpose (1964-1988) bonds to the local group headed by First Citizens Bank & Trust Co. of Smithfield, North Carolina at a 2.8235% net interest cost. The runner-up bid for this issue, a 2.8476% net interest cost, was made by the Wachovia Bank & Trust Co., Winston-Salem.

Other major members of the winning group are The Bank of Candor, The Bank of Mount Olive, The Bank of Fuquay and the Bank of Briscoe. Needless to say with this local bank group no public offering of the bonds was made as all of the issue was taken for portfolio accounts by the bank underwriters.

The last of Tuesday's noteworthy issues involved $5,430,000 Allegheny County, (Pittsburgh) Pennsylvania various purpose (1963-1992) bonds which were won by the First National City Bank account at a 3.041% net interest cost. The second bid, a 3.0591% net interest cost, was made by Kidder, Peabody & Co. and associates.

Other members of the winning account are Harriman Ripley & Co., Inc., Philadelphia National Bank, Phelps, Fenn & Co., Kuhn, Loeb & Co., Stone & Webster Securities Corp., Hemphill, Noyes & Co. and L. F. Rothschild & Co. Scaled to yield from 1.55% to 3.25% for a 3⅛% coupon, about 40% of the issue has been sold.

### Wednesday's Major Awards

On Wednesday two more issues of general market importance were offered for competitive bidding. The best bid for $30,000,000 Commonwealth of Puerto Rico (1964-1986) bonds came from the syndicate managed jointly by First National City Bank, Chemical Bank New York Trust Co. and First Boston Corp. The winning interest cost bid of 3.266% compared favorably with the runner-up bid of 3.27% net interest cost made by the Northern Trust Co. and associates.

Other major members of the winning account include Lehman Brothers, Banco Populaire, C. J. Devine & Co., B. J. Van Ingen & Co., Blyth & Co., Kuhn, Loeb & Co., Merrill Lynch, Pierce, Fenner & Smith Inc., Philadelphia National Bank and Stone & Webster Securities Corp. The bonds were offered to yield from 1.85% in 1964 to a dollar price of 99½ for a 3.40% coupon in 1986. Bank priority orders amounted to about $9,000,000 and after the initial order period about $12,000,000 remained in account.

Wednesday's other important sale involved the suburban New York area. $17,200,000 Nassau County, New York various purpose (1963-1991) bonds were awarded to the Chase Manhattan Bank and associates on a bid of 100.83 for a 3.10% coupon. There were two other bids also made for a 3.10% coupon. One was 100.626 by the Eastman Dillon, Union Securities & Co. account and one 100.39, made by the Morgan Guaranty Trust Co. syndicate.

Associated with Chase Manhattan Bank as major underwriters are Smith, Barney & Co., Chemical Bank New York Trust Co., Harris Trust & Savings Bank, Stone & Webster Securities Corp., A. C. Allyn & Co., Inc., Spencer Trask & Co., Connecticut Bank & Trust Co., Reynolds & Co., Roosevelt & Cross and Francis I. duPont & Co. Scaled to yield from 1.60% to 3.30%, the present balance is reported as $6,600,000.

### Dollar Bonds Again Higher

The *Commercial & Financial Chronicle's* revenue bond Index averages at 3.63% this week. Last week the average was 3.66% and the market gain thus signified is about a half-point. Issues gaining from one-half to 1⅛ points are as follows: Calumet Skyway 3⅜s, Chicago Transit 3¾s, Florida Turnpike 4¾s, Grant County, Washington PUD 3⅞s, Kansas Turnpike 3⅜s, Los Angeles Metro Transit Authority 5¾s, Mackinac Bridge 4s, Maine Turnpike 4s, New Jersey Turnpike 3¼s, Triboro Bridge and Tunnel 4s, New Orleans Expressway 4s, Kentucky Turnpike 4.85s and Oklahoma Turnpike 4¾s. The West Virginia Turnpike issues fell back about 2 points as the December, 1960, coupon was designated for payment with back interest on Oct. 1.

### Secondary Sell-Out

On Monday (Sept. 24) the State of New Jersey Investment Division awarded $5,070,000 New Jersey Turnpike Authority 3¼s, Jan. 1, 1985 out of portfolio to Weeden & Company and associates on a bid of 100.57. The bonds were reoffered at 101 and were quickly sold.

The largest recent addition to the new issues calendar is $107,900,000 City of New York various purpose general obligation bonds. This relatively short term offering (7 years) is smaller in most respects to two others made earlier this year. This offering comprises more than one-third of the present new issue calendar through November.

# Securities Now in Registration

★ **INDICATES ADDITIONS SINCE PREVIOUS ISSUE**
• **ITEMS REVISED**

**NOTE — Registration statements filed with the SEC since the last issue of the "Chronicle" are now carried separately at the end of this section "Securities Now in Registration." Dates shown in parenthesis alongside the company's name, and in the index, reflect the expectations of the underwriter but are not, in general, firm offering dates.**

**Also shown under the caption "Effective Registrations" are those issues which became effective this week and were offered publicly.**

**• ABC Business Forms, Inc. (10/17)**
July 27, 1962 ("Reg. A") 51,500 common. **Price**—$3.50. **Business**—Manufacture, design and development of business forms. **Proceeds**—For debt repayment and working capital. **Office**—3500 N. W. 71st St., Miami. **Underwriter**—Givens & Co., Inc., Miami.

**A. L. S. Steel Corp.**
March 29, 1962 filed 100,000 common. **Price**—$4.50. **Business**—Sale of processed flat rolled strip steel. **Proceeds**—For debt repayment, equipment, and working capital. **Office**—126—02 Northern Blvd., Corona, N. Y. **Underwriter**—Bernard L. Madoff, N. Y.

**Abbott Realty Fund, Inc.**
June 29, 1962 filed 380,000 class A common. **Price**—$10. **Business**—Real estate ownership and management. **Proceeds**—For debt repayment and general corporate purposes. **Office**—292 Madison Ave., N. Y. **Underwriters**—Morris Cohon & Co. and Street & Co., Inc., N. Y.

**• Accurate Parts Inc.**
March 30, 1962 filed 100,000 common. **Price** — By amendment (max. $13). **Business** — Rebuilding and sale of starter drive devices for automobiles. **Proceeds** — For selling stockholders. **Office**—1313 S. Jay St., Kokomo, Ind. **Underwriters**—McDonnell & Co., N. Y. and Raffensperger, Hughes & Co., Indianapolis. **Note**—This registration was withdrawn.

**Advance Mortgage Corp.**
April 27, 1962 filed 200,000 common. **Price**—By amendment. **Business**—The making and servicing of real estate first mortgage loans. **Proceeds**—For debt repayment. **Office**—First National Bank Bldg., Detroit. **Underwriter**—Shields & Co., N. Y.

**Aerial Control Geotronics**
May 28, 1962 ("Reg. A") 100,000 common. **Price**—$3. **Business**—Application of electronic and air photography developments in the field of geodetic surveying and regional mapping. **Proceeds**—For debt repayment, equipment and working capital. **Office**—2412 S. Garfield Ave., Monterey Park, Calif. **Underwriter**—Pacific Coast Securities Co., San Francisco.

**Aerosystems Technology Corp.**
Aug. 29, 1962 filed 165,000 common. **Price**—$3. **Business**—Company has been engaged in experimentation on aerodynamic concepts and holds ten U. S. Patents relating to advanced vertical lift vehicles and systems for achieving controlled vertical flight. **Proceeds**—For additional equipment, research and development, plant facilities and other corporate purposes. **Office**—Route 15, Sparta, N. J. **Underwriter**—Chase Securities Corp., N. Y.



**Agency Tile Industries, Inc.**
July 27, 1962 ("Reg. A") 110,000 common. **Price**—$2.50. **Business**—Importing, marketing and distribution of ceramic tiles. **Proceeds**—For debt repayment, new products, sales promotion and working capital. **Office**—256 Fifth Ave., N. Y. **Underwriters**—Leib, Skoot & Co., Inc., Clifton, N. J., and Price Investing Co., N. Y.

**Aiken Savings Trust**
Aug. 22, 1962 filed 100,000 shares of beneficial interest. **Price**—$10. **Business**—Company plans to qualify as a real estate investment trust. **Proceeds**—For investment. **Address**—Florence, S. C. **Underwriter**—None.

**Air Master Corp.**
May 26, 1961 filed 180,000 common, of which 90,000 will be sold for company and 90,000 for stockholders. **Price**—By amendment. **Business** — Manufacture of aluminum storm windows and doors, and other aluminum products. **Proceeds**—For working capital, and other corporate purposes. **Office**—20th Street and Allegheny Avenue, Philadelphia, Pa. **Underwriter** — Clayton Securities Corp., Boston. **Note**—This offering has been postponed.

**• Alaska Pacific Lumber Co.**
Nov. 17, 1961 filed 250,000 common. **Price** — $5.75. **Business**—A lumber company. **Proceeds**—For construction and working capital. **Office**—614 Equitable Bldg., Portland, Ore. **Underwriter**—Dempsey-Tegeler & Co., Inc., St. Louis. **Note** — This registration was withdrawn.

**Alcolac Chemical Corp. (10/22)**
March 23, 1962 filed 50,000 common. **Price**—By amendment (max. $6). **Business**—Manufacture of specialty chemical products. **Proceeds**—For general corporate purposes. **Office**—3440 Fairfield Rd., Baltimore. **Underwriter**—Robert Garrett & Sons, Baltimore.

**• Allegheny Aluminum Industries, Inc.**
Dec. 21, 1961 filed 100,000 common. **Price**—$4.25. **Business**—Manufacture of aluminum and fiberglass awnings and aluminum combination storm-screen windows and doors. **Proceeds** — For an acquisition, debt repayment and general corporate purposes. **Office**—5007 Lytle St., Pittsburgh, Pa. **Underwriter**—To be named.

**• Allied Graphic Arts, Inc. (10/22-26)**
Mar. 27, 1962 filed 180,000 common, of which 60,000 will be sold for the company and 120,000 for a stockholder. **Price**—By amendment. **Business**—Publication of mass circulation catalogues (for department stores and mail order firms), a semi-annual magazine and stamp collectors' books. **Proceeds**—For debt repayment and working capital. **Office**—551 Fifth Ave., N. Y. **Underwriter**—Bache & Co., New York.

**All-State Properties, Inc.**
April 24, 1962 filed $5,000,000 of conv. subord. debentures due 1977. **Price**—At par. **Business**—Company and subsidiaries conduct a general real estate business with emphasis on land development and home construction in Fla., Md., N. Y., and Ky. **Proceeds**—For repayment of debt. **Office**—230 Park Ave., N. Y. **Underwriters**—To be named.

**Alsco Electronics, Inc.**
March 28, 1962 ("Reg. A") 100,000 class A common. **Price** — $3. **Business** — Wholesaling and distributing of electronic parts, kits, components, etc. **Proceeds** — For inventory and working capital. **Office**—2520 N. Broad St., Philadelphia. **Underwriters**—Albert Teller & Co., Inc., and H. A. Riecke & Co., Inc., Philadelphia.

**Amerel Mining Co. Ltd.**
July 31, 1961 filed 400,000 common shares. **Price**—50¢. **Business**—The company is engaged in exploration, development and mining. **Proceeds**—For diamond drilling, construction, exploration and general corporate expenses. **Office** — 80 Richmond St., W., Toronto. **Underwriter**—E. A. Manning, Ltd., Toronto.

**• American Bolt & Screw Mfg. Corp. (10/1-5)**
Dec. 15, 1961 filed $900,000 of 6% convertible subordinated debentures and 90,000 common, to be offered in units consisting of one $100 debenture and 10 shares. **Price**—$100 per unit. **Business**—Manufacture of standard and special industrial aircraft and missile fasteners. **Proceeds**—For debt repayment, equipment and other corporate purposes. **Office**—Lawson Blvd., Oceanside, L. I. N. Y. **Underwriter**—S. D. Fuller & Co., N. Y.

**American Fidelity Corp.**
June 4, 1962 filed 500,000 common. **Price**—$11. **Business**—A small business investment company. **Proceeds**—For investment. **Office**—423 E. Market St., Indianapolis. **Underwriters**—Reynolds & Co., Inc., N. Y., and Cruttenden, Podesta & Miller, Chicago.

**American Flag & Banner Co. of New Jersey (10/8-11)**
May 1, 1962 filed 100,000 common. **Price**—$3.25. **Business**—Production of flags, banners and accessories. **Proceeds**—For taxes, debt repayment and working capital. **Office**—1000 Main Ave., Clifton, N. J. **Underwriter**—K-Pac Securities Corp., N. Y.

**• American Gas Co. (10/8-11)**
March 26, 1962 filed $1,685,000 of 6½% convertible subordinated debentures due Sept. 1, 1977; also 275,000 common. **Price** — For debentures, at par; for stock, by amendment. **Business**—Transportation, distribution and sale of natural gas. **Proceeds**—For debt repayment and expansion. **Office** — 546 S. 24th Ave., Omaha. **Underwriter**—Cruttenden, Podesta & Miller, Chicago.

**American Kosher Provisions, Inc. (10/17)**
June 25, 1962 filed 130,000 common. **Price**—$5. **Business**—Manufacture and sale of a variety of kosher and non-kosher meat and meat products. **Proceeds** — For debt repayment, expansion and working capital. **Office**—39 Norman Ave., Brooklyn, N. Y. **Underwriter**—Willard Securities, Inc., N. Y.

**American Mortgage Investors**
Feb. 8, 1962 filed 1,300,000 shares of beneficial interest. **Price**—$15. **Business** — A newly-formed business trust which plans to invest in first mortgages. **Proceeds**—For investment. **Office**—305 S. County Rd., Palm Beach, Fla. **Underwriter**—Hayden, Stone & Co., N. Y. **Note**—This company was formerly named American First Mortgage Investors.

**American Options Corp.**
April 11, 1962 ("Reg. A") 60,000 common. **Price**—$5. **Business**—Company plans to sell "puts and calls" and may act as a broker-dealer. **Proceeds**—For general corporate purposes. **Office**—120 Broadway, N. Y. **Underwriter**—Provost Securities, Inc., N. Y.

**American Pacific Fund, Inc.**
July 9, 1962 filed 94,500 common. **Price**—Net asset value. **Business**—An open-end management company specializing in life, health, casualty and accident insurance. **Proceeds**—For investment. **Office**—1523 Kalakaua Ave., Honolulu. **Underwriter**—American Pacific Management Corp. (same address).

**American Phoenix Corp.**
Jan. 24, 1962 filed 315,000 class A shares. **Price**—$10. **Business**—General real estate. **Proceeds**—For corporate purposes. **Office**—320 Park Ave., N. Y. **Underwriter**—Interamerica Securities Corp., N. Y.

**American Plan Corp. (10/8-11)**
March 30, 1962 filed $2,480,000 of convertible debentures due 1982 and 248,000 common shares (of which 218,000 will be sold for the company and 30,000 for stockholders). The securities will be offered in units of one $10 debenture and one share. **Price**—By amendment (max. $22.50 per unit). **Business**—Production and servicing of physical damage insurance on automobiles, trucks and mobile homes. **Proceeds**—To purchase American Fidelity Fire Insurance Co. **Office**—American Plan Bldg., Westbury, N. Y. **Underwriter**—Bear, Stearns & Co., N. Y.

**American Safety Table Co., Inc.**
May 23, 1962 filed 100,000 common. **Price**—By amendment (max. $7). **Business**—Design, manufacture and marketing of equipment used in the sewing industry. **Proceeds**—For expansion, debt repayment and working capital. **Address**—Mohnton, Pa. **Underwriter**—Reuben Rose & Co., Inc., N. Y.

**American Southwest Realty Trust**
Feb. 12, 1962 filed 1,000,000 common. **Price**—$11. **Business**—A real estate investment company. **Proceeds**—For investment. **Office**—800 Hartford Bldg., Dallas. **Underwriters**—Kidder, Peabody & Co., N. Y. and Rauscher, Pierce & Co., Inc., Dallas. **Offering**—Temporarily postponed.

**American Strategic Minerals Corp.**
July 9, 1962 filed 400,000 common. **Price**—By amendment (max. $3). **Business**—Company plans to explore for strategic minerals. **Proceeds**—For debt repayment, exploration and working capital. **Office** — 527 Failing Bldg., Portland, Ore. **Underwriter**—To be named.

**Americana East Inc.**
Sept. 18, 1962 filed 400,000 common. **Price**—$2.50. **Business** — Development, construction and management of industrial, commercial and residential properties. **Proceeds**—For construction, surveys, working capital, and other corporate purposes. **Office**—173 First St., Macon, Ga. **Underwriter**—Nusouth Growth Stock Sales Corp., 4101 Steam Mill Rd., Columbus, Ga.

**Anchor Industries Corp.**
Nov. 24, 1961 filed 38,500 common. **Price**—$8. **Business**—Design and fabrication of precision sheet metal products. **Proceeds** — For machinery research, sales promotion, and working capital. **Office**—26 Essex St., Hackensack, N. J. **Underwriter** — Amber, Burstein & Co., Inc., New York. **Note**—This registration is being withdrawn.

**Angler Industries, Inc.**
Aug. 17, 1962 ("Reg. A") 120,000 common. **Price**—$2.50. **Business**—Manufacture of hardware, and the assembly of products for the electronics industry. **Proceeds**—For debt repayment, equipment, inventory, and working capital. **Office**—107 Trumbull St., Elizabeth, N. J. **Underwriter**—Edward H. Stern & Co., N. Y.

**Arden Farms Co.**
May 23, 1962 filed $6,000,000 of 6% conv. subord. debentures due 1990 to be offered in $100 units; also 49,993 shares of $3 cumulative preferred stock and 205,105 common shares to be offered for subscription by stockholders of the respective classes on the basis of one new share for each 10 held. **Price**—For debentures, at par; for stock, by amendment. **Business**—Manufacture, purchase and sale of ice cream and other dairy products. **Proceeds**—For debt repayment. **Office**—1900 W. Slauson Ave., Los Angeles. **Underwriter**—None.

**Argus Financial Fund, Inc.**
Feb. 12, 1962 filed 800,000 capital shares to be offered in exchange for certain securities acceptable to the Fund. **Price**—Net asset value (expected at $12.50 per share). **Business**—A diversified open-end investment company which plans to participate in the long-term progress of savings and loan associations, and allied financial businesses. **Proceeds**—For investment. **Office**—1118 Torrey Pines Road, La Jolla, Calif. **Dealer-Manager**—Argus Financial Sales Corp. (same address).

**Artlin Mills, Inc.**
Sept. 28, 1961 filed 135,000 class A common shares. **Price**—$5. **Business**—The purchase, conversion, decoration, gift packaging and distribution of terrycloth towels and cotton pillow cases. **Proceeds**—For inventory, repayment of loans and working capital. **Office**—1030 Pearl St., Long Branch, N. J. **Underwriter**—Mortimer B. Burnside & Co., Inc., N. Y.

**Ascot Publishing Co., Inc.**
Jan. 29, 1962 ("Reg. A") 103,000 common. **Price**—$2. **Business**—Publishing of a bowling magazine. **Proceeds**—For general corporate purposes. **Office**—14 W. 55th St., N. Y. **Underwriter**—Dana Securities Co., Inc., 80 Wall St., N. Y. **Note**—This offering has been temporarily postponed.

**Atmosphere Control, Inc.**
May 28, 1962 ("Reg. A") 200,000 common. **Price**—$1.50. **Business**—Manufacture and sale of Misti-Cone humidifiers. **Proceeds**—For equipment, inventories and working capital. **Office**—668 Jenks Ave., St. Paul, Minn. **Underwriter**—Pewters, Donnelly & Jansen, Inc., St. Paul, Minn.

● **Aubrey Manufacturing, Inc.**
March 28, 1962 filed 100,000 common. **Price**—By amendment (max. $7). **Business** — Design, manufacture and sale of kitchen range hoods, exhaust fans and kitchen cabinet hardware. **Proceeds**—For plant expansion, equipment, debt repayment and working capital. **Office**—South Main St., Union, Ill. **Underwriters**—Pierce, Carrison, Wulbern, Inc., Jacksonville, Fla., and A. M. Kidder & Co., Inc., N. Y. **Note**—This registration will be withdrawn.

**Automatic Controls, Inc.**
Dec. 28, 1961 filed 50,000 common. **Price**—$4. **Business**—Design, manufacture and installation of electrical, pneumatic, hydraulic and mechanical systems, controls and devices to control and automatically operate industrial machinery and processes. **Proceeds** — For general corporate purposes. **Office**—3601 Merrick Rd., Seaford, N. Y. **Underwriter**—S. Schramm & Co., Inc., N. Y.

**Automatic Merchandising, Inc.**
May 24, 1962 filed 225,000 common, of which 125,000 are to be offered by company and 100,000 by stockholders. **Price**—By amendment (max. $6). **Business**—Company operates, owns, services and leases coin-operated automatic vending machines. **Proceeds**—For debt repayment, inventories, equipment and working capital. **Office**—217 N. Willow Ave., Tampa. **Underwriter**—A. C. Allyn & Co., Chicago.

● **Badger Northland, Inc. (10/1-5)**
Sept. 7, 1962 filed $800,000 of subord. conv. debentures due Oct. 1, 1982. **Price**—At par. **Business**—Manufacture of farm equipment. **Proceeds**—For new plant, an acquisition, debt repayment and working capital. **Address**—Kaukauna, Wis. **Underwriter**—Loewi & Co. Inc., Milwaukee.

**Bank "Adanim" Mortgages & Loan Ltd.**
Dec. 29, 1961 filed $556,000 of 6% cumulative preference dividend participating dollar-linked shares. **Price**—By amendment. **Business** — A mortgage lending company. **Proceeds**—For general corporate purposes. **Address**—108 Achad Haam St., Tel-Aviv, Israel. **Underwriter**—Adanim American Israel Investment Co., Inc.

**Bank Leumi Le-Israel B. M.**
June 22, 1962 filed 1,050,000 ordinary shares and 3,190,000 "A" ordinary shares. **Price**—By amendment (max. 75c). **Business**—A general banking business. **Proceeds**—For general corporate purposes. **Office** — Tel-Aviv, Israel. **Underwriter**—None. **Note**—This company formerly was carried under the name National Bank of Israel Ltd.

**Barker Bros. Corp.**
March 15, 1962 filed 200,000 common. **Price**—By amendment (approx. $12). **Business**—Merchandising of home, commercial and institutional furnishings. **Proceeds**—For expansion and debt repayment. **Office**—818 W. Seventh St., Los Angeles. **Underwriter**—William R. Staats & Co., Los Angeles. **Offering**—Postponed.

**Basic Properties, Inc.**
June 29, 1962 filed 400,000 class A common. **Price**—By amendment (max. $12). **Business**—Real estate investment. **Proceeds**—For debt repayment, acquisition of a building and other corporate purposes. **Office**—521 Fifth Ave., N. Y. **Underwriter**—Hornblower & Weeks, N. Y.

**Bene Cosmetics, Inc.**
March 2, 1962 ("Reg. A") 100,000 common. **Price** — $3. **Business**—Importation, sale and distribution of Italian cosmetics. **Proceeds** — For advertising, inventory and working capital. **Office**—114 W. 13th St., N. Y. **Underwriter**—Granite Securities, Inc., N. Y.

**Blankenship, Ostberg, Inc.**
May 29, 1962 ("Reg. A") 100,000 common. **Price**—$3. **Business**—Furnishing of market research and consulting services. **Proceeds**—For working capital and general corporate purposes. **Office**—95 Madison Ave., N. Y. **Underwriters**—Kenneth Kass and J. J. Krieger & Co., Inc., New York.

**Bloomfield Building Industries, Inc.**
Mar. 26, 1962 filed $2,000,000 of conv. subord. debentures due 1977. **Price** — At par. **Business** — A holding company for 16 subsidiaries in the real estate and general contracting business. **Proceeds**—For general corporate purposes. **Office**—2600 Popular Ave., Memphis, Tenn. **Underwriters**—Lieberbaum & Co., and Nathanson & Co., Inc., New York. **Offering**—Imminent.

**Blue Magic Co. of Ohio, Inc. (11/7-9)**
July 16, 1962 filed 100,000 common. **Price**—$4. **Business**—Manufacture of liquid starch, a rinse, and spray starch for household use. **Proceeds**—For equipment, plant expansion and working capital. **Office**—901 Florence Ave., Lima, Ohio. **Underwriter**—Hallowell, Sulzberger, Jenks, Kirkland & Co., Philadelphia.

**Brinkmann Instruments, Inc.**
March 26, 1962 filed 100,000 common, of which 77,420 shares are to be offered by the company and 22,580 shares by stockholders. **Price** — By amendment (max. $7.75). **Business** — Importing and distribution of scientific instruments. **Proceeds**—For research and development, equipment, debt repayment and other corporate purposes. **Office**—115 Cutter Mill Rd., Great Neck, N. Y. **Underwriter**—D. B. Marron & Co., N. Y.

**Bruce (Michael) Distributors, Inc.**
March 29, 1962 filed $400,000 of convertible debentures and 28,000 common shares to be offered in units, each consisting of a $500 debenture and 35 shares. **Price**—$675 per unit. **Business**—Operation of self-service discount department stores. **Proceeds**—To retire outstanding debentures, and for working capital. **Office**—1101 Albany Ave., Hartford, Conn. **Underwriter**—Gianis & Co., Inc., New York. **Offering**—Imminent.

**Buddy L. Corp.**
April 2, 1962 filed 225,000 common. **Price** — By amendment (max. $10). **Business** — Design, manufacture and sale of various type toys. **Proceeds**—For a proposed acquisition of another toy company. **Office**—200 Fifth Ave., N. Y. **Underwriter**—Milton D. Blauner & Co., Inc., N. Y. **Offering**—Temporarily postponed.

**Cable Carriers, Inc.**
June 22, 1962 filed 1,015,564 capital shares to be offered for subscription by stockholders on the basis of four new

*Continued on page 36*

# NEW ISSUE CALENDAR

**October 1 (Monday)**

American Bolt & Screw Mfg. Corp.----------Units
(S. D. Fuller & Co.) $900,000

Badger Northland, Inc.----------Debentures
(Loewi & Co. Inc.) $800,000

Electromagnetic Industries, Inc.----------Common
(Pierce, Carrison, Wulburn, Inc.) 70,000 shares

Electromagnetic Industries, Inc.----------Debentures
(Pierce, Carrison, Wulbern, Inc.) $250,000

Goldsmith Bros.----------Common
(Federman, Stonehill & Co.) 125,000 shares

Lyntex Corp.----------Units
(P. W. Brooks & Co., Inc.) 1,200 units

Plantation Chocolate Co.----------Common
(S. Schramm & Co., Inc.) $300,000

Rimak Electronics, Inc.----------Notes
(Thomas Jay, Winston & Co., Inc.) $300,000

**October 2 (Tuesday)**

Be-Mac Transport Co., Inc.----------Common
(Edward D. Jones & Co.) 50,000 shares

Consolidated Edison Co. of New York, Inc.--Bonds
(Bids 11 a.m. EDST) $75,000,000

Continental Telephone Co.----------Common
(Allen & Co. and E. F. Hutton & Co.) 475,000 shares

**October 3 (Wednesday)**

Suburban Water Service Co.----------Preferred
(Putnam & Co.) 30,000 shares

**October 5 (Friday)**

Smith-Corona Marchant, Inc.----------Preferred
(Offering to stockholders—underwritten by First Boston Corp.) 241,000 shares

**October 8 (Monday)**

American Flag & Banner Co. of New Jersey----------Common
(K-Pac Securities Corp.) $325,000

American Gas Co.----------Common
(Cruttenden, Podesta & Miller) 275,000 shares

American Gas Co.----------Debentures
(Cruttenden, Podesta & Miller) $1,685,000

American Plan Corp.----------Units
(Bear, Stearns & Co.) 248,000 units

College Publishing Corp.----------Common
(James Co.) $155,000

Computer Concepts Inc.----------Common
(Doft & Co.) $500,000

Electronic Transmission Corp.----------Common
(V. S. Wickett & Co., Inc.; Thomas, Williams & Lee, Inc.; and Crosse & Co., Inc.) $375,000

Emcee Electronics, Inc.----------Units
(Weil & Co., Inc.) $400,000

Fairlane Finance Co., Inc.----------Debentures
(Alester G. Furman Co., Inc.) $300,000

Fieldcrest Mills, Inc.----------Capital
(Blyth & Co., Inc.) 300,000 shares

Hallandale Rock & Sand Co.----------Units
(Mutch, Khanbegian, Flynn & Green, Inc.) $450,000)

Laminetics Inc.----------Common
(Fabricant Securities Corp.) $280,000

Livestock Financial Corp.----------Common
(Shearson, Hammill & Co.) $1,300,000

McGrath (John W.) Corp.----------Common
(Bear, Stearns & Co.) 253,875 shares

Met Food Corp.----------Debentures
(Brand, Grumet & Siegel, Inc.) $1,500,000

National Blank Book Co.----------Common
(Blyth & Co., Inc.) 160,000 shares

Orbit Stores, Inc.----------Common
(Norton, Fox & Co., Inc.) 100,000 shares

Putnam Management Co., Inc.----------Common
(Paine, Webber, Jackson & Curtis and Kidder, Peabody & Co., Inc.) 150,000 shares

Ridgway (L. L.) Enterprises, Inc.----------Common
(Underwood, Neuhaus & Co., Inc., and Rotan, Mosle & Co.) 155,000 shares

Servotronics, Inc.----------Capital
(General Securities Co., Inc.) $375,000

**October 9 (Tuesday)**

Texas Gas Producing Co.----------Units
(Equitable Securities Corp.) $1,000,000

**October 10 (Wednesday)**

Southern Pacific Co.----------Equip. Trust Ctfs.
(Bids 12 noon EDST) $6,000,000

**October 15 (Monday)**

Cameo Lingeries, Inc.----------Common
(Schweickart & Co.) $1,000,000

Chestnut Hill Industries, Inc.----------Common
(Clayton Securities Corp.) $2,250,000

Ernst, Inc.----------Common
(Burr, Wison & Co., Inc.) $300,000

Instromech Industries, Inc.----------Common
(Price Investing Co.) $300,000

Jackson's/Byrons Enterprises, Inc.----------Class A
(Clayton Securities Corp.) 120,000 shares

Jackson's/Byrons Enterprises, Inc.----------Debentures
(Clayton Securities Corp.) $750,000

Poulsen Insurance Co. of America----------Common
(A. C. Allyn & Co.) 100,000 shares

Security Aluminum Corp.----------Common
(Vickers, MacPherson & Warwick, Inc.) 200,000 shares

**October 17 (Wednesday)**

ABC Business Forms, Inc.----------Common
(Givens & Co., Inc.) $180,250

American Kosher Provisions, Inc.----------Common
(Willard Securities, Inc.) $650,000

**October 22 (Monday)**

Alcolac Chemical Corp.----------Common
(Robert Garrett & Sons) 50,000 shares

Allied Graphic Arts, Inc.----------Common
(Bache & Co.) 180,000 shares

Consolidated Leasing Corp., of America--Common
(Blair & Co.) 99,000 shares

Consolidated Leasing Corp. of America-Debentures
(Blair & Co.) $1,000,000

Cosnat Corp.----------Common
(Van Alstyne, Noel & Co.) 190,000 shares

Lewis (Tillie) Foods, Inc.----------Debentures
(Van Alstyne, Noel & Co.) $4,000,000

Pak-Well Paper Industries, Inc.----------Class A
(Francis I. du Pont & Co.) 150,000 shares

R. E. D. M. Corp.----------Common
(Meade & Co., Inc.) 125,000 shares

Worth Financial Corp.----------Units
(Leib, Skloot & Co., Inc.) $450,000

**October 23 (Tuesday)**

American Telephone & Telegraph Co.--Debentures
(Bids to be received) $250,000,000

Cameron Iron Works, Inc.----------Common
(White, Weld & Co., Inc., and Lehman Brothers) 280,000 shares

**October 24 (Wednesday)**

Panhandle Eastern Pipe Line Co.----------Debentures
(Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith Inc.) $60,000,000

Panhandle Eastern Pipe Line Co.----------Preferred
(Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith Inc.) $20,000,000

**October 29 (Monday)**

First American Israel Mutual Fund----------Ben. Int.
(Paine, Webber, Jackson & Curtis) 2,750,000 shares

First Connecticut Small Business Investment Co.----------Common
(P. W. Brooks & Co.) 200,000 shares

Gulf Atlantic Utilities, Inc.----------Common
(Pierce, Carrison, Wulbern, Inc.) 90,000 shares

Interworld Film Distributors, Inc.----------Common
(General Securities Co., Inc. and S. Kasdan & Co., Inc.) $425,000

Jamoco Air Conditioning Corp.----------Common
(Martin-Warren Co., Ltd.) $120,000

Roadcraft Corp.----------Common
(Vickers, MacPherson & Warwick Inc.) 400,000 shares

Tabach Industries, Inc.----------Common
(Costello, Russotto & Co.) $250,000

**October 30 (Tuesday)**

Southern California Edison Co.----------Bonds
(Bids 8:30 a.m. PST) $50,000,000

Zero Mountain, Inc.----------Common
(Don D. Anderson & Co., Inc.) $300,000

**November 1 (Thursday)**

Columbia Gas System, Inc.----------Debentures
(Bids to be received) $20,000,000

**November 7 (Wednesday)**

Blue Magic Co. of Ohio, Inc.----------Common
(Hallowell, Sulzberger, Jenks, Kirkland & Co.) $400,000

Georgia Power Co.----------Bonds
(Bids to be received) $23,000,000

Georgia Power Co.----------Preferred
(Bids to be received) $7,000,000

Kaiser-Nelson Corp.----------Common
(Robert L. Ferman & Co., Inc.) 140,000 shares

**November 14 (Wednesday)**

Jersey Central Power & Light Co.----------Bonds
(Bids 11 a.m. EST) $11,000,000

Louisville & Nashville RR.----------Bonds
(Bids to be received) $25,000,000

**November 19 (Monday)**

Optech, Inc.----------Common
(Stone, Ackerman & Co., Inc. and Heritage Equity Corp.) $480,000

**November 26 (Monday)**

Pacific Power & Light Co.----------Bonds
(Bids to be received) $32,000,000

**November 27 (Tuesday)**

Metropolitan Edison Co.----------Bonds
(Bids to be received) $15,000,000

**November 28 (Wednesday)**

Southern Electric Generating Co.----------Bonds
(Bids to be received) $6,500,000

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shares for each share held on Feb. 14, 1962. Price—25 cents. Business—Manufacture and sale of overhead trolley conveyers, vertical tray lift systems, floor and overhead tow systems, etc. Proceeds—For working capital. Office — Kirk Blvd., Greenville, S. C. Underwriter—None.

**Caldwell Publishing Corp.**
June 13, 1962 filed 100,000 common. Price—$3.50. Business—Company plans to publish classics. Proceeds—For general corporate purposes. Office—339 W. 51st St., N. Y. Underwriter—S. B. Cantor Co., N. Y.

**California Life Insurance Co.**
Aug. 16, 1962 filed 350,000 common. Price—By amendment (max. $6). Business—Writing of life, accident and health insurance. Proceeds—For general corporate purposes. Office—4400 MacArthur Blvd., Oakland. Underwriter—Stewart, Eubanks, Meyerson & Co., San Francisco.

**Cambridge Fund of California, Inc.**
Sept. 28, 1961 filed 280,000 common. Price—By amendment. Business—General real estate. Proceeds—Debt repayment and working capital. Office—324 E. Bixby Rd., Long Beach, Calif. Underwriter—To be named.

**Cambridge Mills Inc.**
July 27, 1962 filed 110,000 common. Price—$3.50. Business—Design and manufacture of infants' nylon "stretch" wear. Proceeds—For debt repayment, working capital and general corporate purposes. Office—725 Broadway, N. Y. Underwriter—Alskor Securities Co., N. Y.

**Cameo Lingerie, Inc. (10/15-19)**
Feb. 12, 1962 filed 200,000 common, of which 120,000 are to be offered by the company and 80,000 by stockholders. Price—$5. Business—Manufactuer of women's and children's tailored panties. Proceeds—For debt repayment, inventory and working capital. Office—Fajardo, Puerto Rico. Underwriter — Schweickart & Co., N. Y.

**Cameron Iron Works, Inc. (10/23)**
Sept. 14, 1962 filed 280,000 common. Price—By amendment (max. $21.50). Business—Manufacture of equipment used in the petroleum and processing industries. Company also makes forged metal products used in the aviation, missile and atomic industries. Proceeds—For selling stockholders. Address—P. O. Box 1212, Houston, Texas. Underwriters—White, Weld & Co., Inc., and Lehman Brothers, N. Y.

**Canaveral Hills Enterprises, Inc.**
May 10, 1962 filed 100,000 common. Price—$5. Business—Company was formed to own and operate a country club and golf course, swimming pool and cabana club, near Cape Canaveral, Fla., and develop real estate, erect homes, apartment houses, motels, etc. Proceeds—For debt repayment and expansion. Office—309 Ainsley Bldg., Miami, Fla. Underwriter—Willis E. Burnside & Co., Inc., N. Y.

**Capital Investments, Inc.**
May 21, 1962 filed 86,370 common to be offered for subscription by stockholders on the basis of one new share for each two shares held. Price—By amendment (max. $10). Business—A small business investment company. Proceeds—For debt repayment and investment. Office—743 N. Fourth St., Milwaukee. Underwriters—Marshall Co., and Loewi & Co., Inc., Milwaukee. Offering—Temporarily postponed.

**Capital Management Corp.**
Dec. 27, 1961 ("Reg. A") 60,000 common. Price—$5. Business — An investment company which will hold mortgages, land contracts, etc. Proceeds — For investment. Office—44 E. Indian School Rd., Scottsdale, Ariz. Underwriter — Pacific Underwriters, Inc., Scottsdale, Ariz. Note—The SEC has issued an order temporarily suspending this issue.

**Career Academy, Inc.**
June 29, 1962 filed 100,000 common. Price—By amendment (max. $3.25). Business — Operation of technical schools. Proceeds—For debt repayment, expansion and general corporate purposes. Office—135 W. Wells St., Milwaukee. Underwriter—Divine & Fishman, Chicago.

**Cedar Lake Public Service Corp.**
March 20, 1962 filed 9,964 common. Price—$100. Business — Company plans to qualify as a public utility and furnish water and sewage disposal services in and around Cedar Lake, Ind. Proceeds — To construct a sewage disposal system. Address — R.R. N. 3, Box 28, Cedar Lake, Ind. Underwriter—None.

**Centco Industries Corp.**
April 30, 1962 filed 120,000 common. Price—$5. Business—Manufacture of plastic and rubber film laminates, a line of casting, laminating and embossing machinery. Proceeds—For new products, debt repayment, inventories and working capital. Office—11-17 Clintonville St., Whitestone, N. Y. Underwriter—Arnold Malkan & Co., Inc., New York.

**Center Star Gold Mines, Inc.**
April 10, 1962 ("Reg. A") 1,200,000 common. Price—25¢. Business—For exploration, development and production of mineral deposits. Proceeds — For mining expenses. Address—Box 469, Wallace, Idaho. Underwriters—Pennaluna & Co. and Standard Securities, Inc., Spokane, Wash.

**Central Mutual Fund, Inc.**
Aug. 20, 1962 filed 100,000 capital shares. Price—Net asset value (max. $14) plus a 2% sales commission. Business—A mutual fund specializing in life insurance stocks. Proceeds—For investment. Office—110 North East St., Jacksonville, Ill. Underwriter—CN Agency, Inc., same address.

**Certified Capital Corp.**
Aug. 2, 1962 filed $200,000 of 8% registered subord. debentures due 1965 and $400,000 of 8% debentures due 1967 (with attached warrants). Price—At par. Business—Commercial and industrial financing. Proceeds—For general corporate purposes. Office—165 Broadway, N. Y. Underwriter—None.

**Chemical Coating Corp.**
June 29, 1962 filed 70,000 common. Price—$5. Business—Company plans to operate a painting contracting business and manufacture paints. Proceeds—For general corporate purposes. Office—Santurce, P. R. Underwriter—Arnold Malkan Investment Growth of Puerto Rico, Inc., Santurce, P. R.

**Chestnut Hill Industries, Inc. (10/15-19)**
Nov. 29, 1961 filed 300,000 class A common, of which 225,000 are to be offered by the company and 75,000 by stockholders. Price—$7.50. Business—Design and manufacture of women's, misses' and junior sportswear, coordinates, and dresses. Proceeds—For debt repayment, equipment and working capital. Office—2025 McKinley St., Hollywood, Fla. Underwriter — Clayton Securities Corp., Boston, Mass.

**Child Guidance Toys, Inc.**
May 23, 1962 filed 100,000 common, of which 70,000 are to be offered by company and 30,000 by stockholders. Price—By amendment (max. $12.50). Business—Design, manufacture and sale of plastic educational toys. Proceeds—For working capital. Office—1125 Close Ave., Bronx, N. Y. Underwriter—J. R. Williston & Beane, New York.

**Church Builders, Inc.**
Feb. 6, 1961 filed 50,000 shares of common stock, series 2. Price—$5.50 per share. Business—A closed-end diversified management investment company. Proceeds—For investment. Office—501 Bailey Ave., Fort Worth, Texas. Distributor—Associates Management, Inc., Fort Worth.

**Clark Semiconductor Corp.**
Aug. 22, 1962 filed $153,045 of 5% subord. debentures due 1967 and 166,500 common shares to be offered in units of $170.05 of debentures and 185 shares. Price—$220 per unit Business—Production of very high frequency power transistors. Proceeds—For debt repayment and other corporate purposes. Office — Walnut Ave., Clark, N. J. Underwriter—None.

**Coburn Credit Co., Inc.**
Aug. 17, 1962 filed 80,000 shares of 6% cum. convertible preferred. Price—$25. Business—Consumer sales financing. Proceeds—For working capital. Office— 53 N. Park Ave., Rockville Centre, N. Y. Underwriter—None.

**College Publishing Corp. (10/8-11)**
March 16, 1962 ("Reg. A") 155,000 common. Price—$1. Business—Composition, publication and distribution of study manuals for examination preparation. Proceeds—For equipment, expansion and other corporate purposes. Office—142 Livingston St., Brooklyn, N. Y. Underwriter—James & Co., New York.

**Colonial Board Co.**
March 28, 1962 filed 164,000 common, of which 115,000 are to be offered by the company and 49,000 by stockholders. Price—By amendment (max. $15). Business—Manufacture of shoeboard and boxboard. Proceeds—For expansion, equipment and debt repayment. Office—615 Parker St., Manchester, Conn. Underwriter—Putnam & Co., Hartford, Conn.

**Columbia Bancorporation**
Feb. 23, 1962 filed $30,000,000 of convertible subordinated debentures due 1987 and 1,500,000 common to be offered in units of one $20 debenture and one share. Price—By amendment. Business—A bank holding company recently formed to acquire stock of First Western Bank & Trust Co., Los Angeles. Proceeds—For acquisition of First Western stock, and working capital. Office—1000 Vermont Ave., N. W., Washington, D. C. Underwriters—Bear, Stearns & Co., and Allen & Co., N. Y.

**Columbia Realty Trust**
June 18, 1962 filed 420,000 class A shares of beneficial interest. Price—$10. Business—A real estate investment company. Proceeds—For debt repayment and investment. Office—1415 K St., N. W., Washington, D. C. Underwriter — Norman Bernstein Securities, Inc., (same address).

**Commercial Trust Co.**
May 16, 1962 filed 150,000 common. Price — By amendment (max. $13). Business—Acquisition or administration of mortgage loans for institutional investors. Company also is engaged in the consumer loan business and acts as an insurance agent or broker in connection therewith. Proceeds—For debt repayment. Office—66 Pryor St., N. E., Atlanta. Underwriters—F. S. Moseley & Co., Boston and Courts & Co., Atlanta.

**Computer Concepts Inc. (10/8-11)**
Dec. 29, 1961 filed 100,000 class A common. Price — $5. Business—Development and sale of advanced programming systems, for solution of business problems by the use of digital computers. Proceeds — For general corporate purposes. Office—1012 14th St., N. W., Washington, D. C. Underwriter—Doft & Co., N. Y.

**Computer Control Co., Inc.**
Jan. 24, 1962 filed 157,500 common, of which 62,500 are to be offered by the company and 95,000 by stockholders. Price—By amendment. Business—Design and manufacture of digital equipment. Proceeds—For debt repayment. Office—983 Concord St., Framingham, Mass. Underwriter—Kidder, Peabody & Co., N. Y. Offering—Indefinitely postponed.

**Concord Products, Inc.**
Nov. 28, 1961 filed 120,000 common (with attached 3-year warrants to purchase an additional 60,000 shares at $2 per share) to be offered in units of one share and one-half warrant. Price—$2 per unit. Business—Manufacture of cosmetics, toiletries, cleaning chemicals, jewelery, etc. Proceeds — For general corporate purposes. Office — 525-535 E. 137th St., New York City. Underwriter—M. G. Davis, 150 Broadway, N. Y.

**Concrete Structures, Inc.**
July 27, 1962 filed 100,000 common. Price—$4.50. Business—Production of precast and prestressed concrete items for the construction industry. Proceeds—For debt repayment. Office—12825 North East 14th Ave., North Miami, Fla. Underwriter—Bernard M. Kahn & Co., Inc., New York.

**Consolidated Edison Co. of New York, Inc. (10/2)**
Sept. 7, 1962 filed $75,000,000 of first and refunding mortgage bonds, series W, due Oct. 1, 1962. Proceeds—To refund a like amount of 5¼% first and refunding mortgage bonds due Dec. 1, 1989. Office—4 Irving Place, N. Y. Underwriters—(Competitive). Probable bidders: Morgan Stanley & Co.; First Boston Corp.-Halsey, Stuart & Co. Inc. (jointly). Bids—Oct. 2, 1962 (11 a.m. EDST) at the company's office.

**● Consolidated Leasing Corp. of America (10/22-26)**
April 27, 1962 filed $1,000,000 of 6½% subord. debentures due 1977 (with warrants), and 99,000 common. Price—For debentures, at par; for stock, by amendment (max. $9). Business—Renting of cars, trucks and equipment. Proceeds—For debt repayment, an acquisition and other corporate purposes. Office — 1012 Baltimore Ave., Kansas City, Mo. Underwriter—Blair & Co., N. Y.

**Consolidated Vending Corp.**
April 2, 1962 filed 70,000 common. Price—$5.75. Business—Operation of vending machines. Proceeds—For debt repayment, working capital and other corporate purposes. Office—129 S. State St., Dover, Del. Underwriter—Dana Securities Co., Inc., N. Y.

**Consumers Mart of America, Inc.**
Jan. 8, 1962 filed 72,000 common. Price—By amendment. Business—Operation of discount department stores. Proceeds—For expansion and working capital. Office—4701 N. Harlem Ave., Chicago. Underwriters — Rittmaster Voisin & Co., N. Y. and Midland Securities Co., Inc., Kansas City, Mo.

**Continental Investment Corp.**
May 9, 1962 ("Reg. A") 200,000 common. Price—$1.50. Business—Investment in real estate mortgages. Proceeds—For working capital. Office—Scottsdale Savings Bldg., Scottsdale, Ariz. Underwriter—Continental Securities Corp., Scottsdale, Ariz.

**● Continental Telephone Co. (10/2)**
March 30, 1962 filed 475,000 common. Price—By amendment (max. $15). Business—A telephone holding company. Proceeds—For debt repayment. Office—111 S. Bemiston St., St. Louis. Underwriters—Allen & Co. and E. F. Hutton & Co., N. Y.

**ControlDyne, Inc.**
Oct. 24, 1961 filed 150,000 common. Price—$1.15. Business—Development and production of electronic testing and training devices. Proceeds — For expansion and working capital. Office—9340 James Ave., S., Minneapolis. Underwriter—To be named. Note—This firm formerly was named Control Dynamics, Inc. Offering—Indefinitely postponed.

**Corporate Funding Corp.**
April 26, 1962 ("Reg. A") 75,000 class A common. Price $4. Business — A financial investment and holding company. Proceeds—For expansion and working capital. Office—39 Broadway, N. Y. Underwriter—R. F Dowd & Co., Inc., N. Y. Offering—Indefinitely postponed.

**Cosnat Corp. (10/22-26)**
May 26, 1962 filed 190,000 common, of which 178,000 are to be offered for public sale by the company and 12,000 outstanding by the present holders thereof. Price—To be supplied by amendment. Business — The manufacture and distribution of phonograph records. Proceeds—For the repayment of debt, and working capital. Office—315 W. 47th St., N. Y. Underwriter—Van Alstyne, Noel & Co., N. Y. Note—This firm was known formerly as the Cosnat Record Distributing Corp.

**Country Set Inc.**
Mar. 2, 1962 filed 150,000 common. Price—By amendment (max. $8). Business—Design and manufacture of sports and casual wear for girls and women. Proceeds—For selling stockholders. Office — 1136 Washington Ave., St. Louis. Underwriter—Goodbody & Co., N. Y. Offering—Temporarily postponed.

**● Cousins Properties Inc.**
March 29, 1962 filed 70,000 common. Price—By amendment. Business—Engaged in residential real estate development. Proceeds — For debt repayment and other corporate purposes. Office—905 Fifteen Peachtree Bldg., Atlanta, Ga. Underwriters—McDonnell & Co., Inc., N. Y., and Wyatt, Neal & Waggoner, Atlanta. Offering—Imminent.

**Creative Ventures Corp.**
May 28, 1962 filed 150,000 common and warrants to purchase 30,000 additional shares, to be offered in units of one share and one warrant. Price—$2.25 per unit. Business—A corporate guidance and interim financing concern. Company may also act as a broker-dealer and underwriter. Proceeds—For investment. Office—733 Third Ave., N. Y. Underwriter—Hampstead Investing Corp., New York.

**Credit Department, Inc.**
Jan. 26, 1962 filed $1,200,320 of 7% conv. subord. debentures due 1974 and 54,560 common shares to be offered in 2,728 units, each consisting of $440 of debentures and 20 common shares. Price—$550 per unit. Business—A consumer sales finance company. Proceeds—For debt repayment. Office—1775 Broadway, N. Y. Underwriter — Bernard M. Kahn & Co., Inc., N. Y.

**Crownco**
Mar. 26, 1962 filed 115,000 common. **Price**—$4 **Business**—Design, sale, fabrication and installation of acoustical ceilings. **Proceeds**—For debt repayment and expansion. **Office**—1925 Euclid Ave., San Diego. **Underwriter** — R. J. Henderson & Co., Los Angeles.

**C-Thru Products, Inc.**
June 22, 1962 ("Reg. A") 90,000 common. **Price**—$1.50. **Business**—Design and manufacture of flexible, re-usable vinyl packages. **Proceeds**—For debt repayment, sales promotion, equipment, research and development, and working capital. **Office** — 2401 Pacific St., Brooklyn, N.Y. **Underwriter**—Broadwall Securities, Brooklyn, N.Y.

**D. C. Transit Systems, Inc.**
April 30, 1962 filed $6,250,000 of 6½% conv. subord. debentures due 1977 and five-year warrants to purchase an aggregate of 187,500 class A shares, to be offered for subscription by holders of class A and class B stock in units consisting of $100 of debentures and three warrants. **Price**—$100 per unit. **Business**—Operation of a public transit system in Washington, D. C.; a new subsidiary to construct housing projects in Washington, D. C. **Proceeds**—For construction and general corporate purposes. **Office**—3600 M St., N. W., Washington, D. C. **Underwriter**—None.

**Data Systems Devices of Boston, Inc.**
April 26, 1962 filed 200,000 common. **Price**—$5. **Business**—Company plans to design, develop and produce electronic and electro-mechanical devices, including printers for electronic computers. **Proceeds**—For product development, new plant and equipment and working capital. **Office**—342 Western Ave., Boston. **Underwriter**—Schmidt, Sharp, McCabe & Co., Inc., Denver.

**Decorel Corp.**
Dec. 29, 1961 filed 120,000 common, of which 90,000 are to be offered by the public and 30,000 by a stockholder. **Price**—By amendment. **Business**—Production and sale of wood and metal framed pictures, wood utility frames, etc. **Proceeds**—For debt repayment, inventory, and working capital. **Office**—444 Courtland St., Mundelein, Ill. **Underwriter**—To be named.

**Deuterium Corp.**
Sept. 28, 1961 filed 140,000 common with attached warrants to purchase an additional 140,000 shares to be offered for subscription by stockholders in units (of one share and one warrant) on the basis of 3 units for each 5% preferred share held, 2 units for each 5% preferred A stock held and one unit for each 10 class B shares held. **Price**—$20 per unit. **Business**—Company plans to manufacture and utilize all kinds of chemical materials. **Proceeds**—For start-up expenses, for a laboratory and small plant. **Office**—360 Lexington Ave., New York. **Underwriter**—None.

**Diamond Dust Co., Inc.**
Feb. 27, 1962 filed 102,000 common. **Price**—$3. **Business**—Production of graded diamond powder and compound. **Proceeds**—For debt repayment, additional personnel, advertising and working capital. **Office**—77 Searing Ave., Mineola, N. Y. **Underwriter**—Magnus & Co., N. Y. **Offering**—Indefinitely postponed.

**Diamond Mills Corp.**
Jan. 23, 1962 filed 200,000 common, of which 120,000 are to be offered by the company and 80,000 by stockholders. **Price**—By amendment. **Business**—Manufacture of women's nylon hosiery. **Proceeds**—For debt repayment and working capital. **Office**—417 Fifth Ave., N. Y. **Underwriter**—Drexel & Co., Philadelphia. **Offering**—Indefinitely postponed.

**Diversified Collateral Corp.**
June 13, 1962 filed 77,050 common. **Price**—By amendment (max. $11.75). **Business**—A real estate investment company. **Proceeds**—For investment. **Office**—8397 N. E. Second Ave., Miami, Fla. **Underwriter**—Karen Securities Corp., N. Y.

**Diversified Real Estate Trust**
March 8, 1962 filed 1,000,000 shares of beneficial interest. **Price**—$10. **Business**—A real estate investment trust. **Proceeds**—For investment. **Office**—500 Fifth Ave., N. Y. **Underwriter**—Bacon, Johnson Realty Management Co., Inc., (same address). **Offering**—Expected in Nov.

**Diversified Realty Investors**
June 28, 1962 filed 1,900,000 certificates of interest. **Price**—$1 per interest. **Business**—A real estate investment trust. **Proceeds**—For investment. **Office**—19 E. First South, Salt Lake City. **Underwriter**—Realty Securities, Inc., Salt Lake City.

**Doman Helicopters, Inc.**
April 19, 1962 filed 418,680 common to be offered for subscription by stockholders on the basis of two new shares for each three held. **Price**—By amendment (max. $1.25). **Business**—Research, development and construction of experimental helicopters. **Proceeds**—To obtain certification of models, train service personnel, repay debt, etc. **Address**—Municipal Airport, Danbury, Conn. **Underwriter**—None.

**Donmoor-Isaacson, Inc.**
Feb. 26, 1962 filed 150,000 common, of which 50,000 are to be offered by the company and 100,000 by stockholders. **Price**—By amendment (max. $12). **Business**—Design and manufacture of boys knit shirts, sweaters, and pajamas. **Proceeds**—For working capital. **Office**—1115 Broadway, N. Y. **Underwriter**—Goodbody & Co., N. Y. **Note**—This offering has been temporarily postponed.

**Dyna Mfg. Co.**
April 2, 1962 ("Reg. A") 60,000 common of which 40,000 will be sold by company and 20,000 by stockholders. **Price**—$5. **Business**—Manufacture, installation and sale of kitchen ventilating hoods and exhaust fans. **Proceeds**—Expansion, new products and working capital. **Office**—4865 Exposition Blvd., Los Angeles. **Underwriter**—Thomas Jay, Winston & Co., Inc., Beverly Hills, Calif. **Offering**—In November.

**Dyna-Mod Electronics Corp.**
Jan. 22, 1962 ("Reg. A") 143,000 common. **Price**—$2. **Business**—Design, development and production of "packaged" electronic circuits and sub-systems. **Proceeds**—For new products and working capital. **Office**—317 Main St., East Rochester, N. Y. **Underwriters**—Genesee Valley Securities Co., Inc., Rochester, and H. B Vesey & Co., Inc., Glens Falls, N. Y. **Offering**—Expected in mid-October.

**Dynamic L. P. Industries, Inc.**
June 21, 1962 filed 75,000 common. **Price**—$4. **Business**—manufacturing, labeling and packaging of long playing stereophonic and monaural phonograph records for label record companies. **Proceeds**—For equipment and working capital. **Office** — 900 Passaic Ave., East Newark, N. J. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York.

**Eastern Camera & Photo Corp.**
March 28 1962 filed $500,000 of 6% conv. subord. debentures due 1972 and 50,000 common shares (of which 25,000 will be sold by the company and 25,000 by stockholders). The securities are to be offered in units of one $100 debenture and 10 shares. **Price**—By amendment. **Business**—Operation of retail camera stores and department store concessions. Company also processes black and white film and repairs photographic equipment. **Proceeds**—For debt repayment and working capital. **Office**—68 W. Columbia St., Hempstead, N. Y. **Underwriters**—Edwards & Hanley, Hempstead, L. I., and Street & Co., Inc., N. Y. **Offering**—Indefinitely postponed.

**Eastern Pennsylvania Investment Co.**
March 16, 1962 filed 450,000 common. **Price**—By amendment (max. $16). **Business**—A small business investment company. **Proceeds**—For general corporate purposes. **Office** — 3 Penn Center Plaza, Philadelhia. **Underwriters**—Drexel & Co., Philadelphia and Kidder, Peabody & Co., N. Y.

**Econo-Car International, Inc.**
July 27, 1962 filed 100,000 class A common. **Price**—$4. **Business**—Rental of automobiles, station wagons, and trucks. **Proceeds**—For equipment, new franchises, and working capital. **Office**—520 Westfield Ave., Elizabeth, N. J. **Underwriter**—Crosse & Co. Inc., N. Y.

**Econ-O-Pay, Inc.**
Oct. 26, 1961 filed 1,000,000 common. **Price**—$3. **Business**—A dealer recourse finance business. **Proceeds** General corporate purposes. **Office**—164 E. Main St., Valley City, N. D. **Underwriter**—Reserve Funds, Inc., Valley City, N. D.

**Electromagnetic Industries, Inc. (10/1-5)**
March 30, 1962 filed $250,000 of 6½% conv. subord. debentures due 1987, also 70,000 common shares, of which 45,000 are to be offered by company and 25,000 by stockholders. **Price**—By amendment (max. $1 per common share). **Business** — Design, production, assembly, distribution and sale of transformers, magnetic components and electronic instrumentation and control devices. **Proceeds**—For equipment, debt repayment, a new plant and working capital. **Office**—Sayville Industrial Park, Greeley Ave., Sayville, L. I., N. Y. **Underwriter**—Pierce, Carrison, Wulbern, Inc., Jacksonville, Fla.

● **Electronic Transmission Corp. (10/8-11)**
March 22, 1962 filed 125,000 common. **Price**—$3. **Business**—Manufacture and distribution of components for background music; design, construction and installation of specialized closed circuit TV system. **Proceeds**—For debt repayment, expansion, sales promotion and working capital. **Office** — 103 E. Hawthorne Ave., Valley Stream, N. Y. **Underwriters**—V. S. Wickett & Co., Inc., Thomas, Williams & Lee, Inc., and Crosse & Co., Inc., New York.

● **Emcee Electronics, Inc. (10/8-11)**
June 4, 1962 filed $200,000 of 6¾% conv. debentures due 1974, and 50,000 common, to be offered in units of $200 of debentures and 50 shares. **Price**—$400 per unit. **Business**—Manufacture of precision instruments, and electronic devices for measurement and control. **Proceeds**—For plant expansion, inventory, and equipment. **Office**—1202 Arnold Ave., New Castle, Del. **Underwriter**—Weil & Co., Inc., Washington, D. C.

**Equity Annuity Life Insurance Co.**
Aug. 21, 1962 filed 150,000 common to be offered for subscription by stockholders on a pro rata basis. **Price**—$7. **Business**—Sale of individual life insurance, pension trust and group variable annuity contracts. **Proceeds**—For expansion and capital funds. **Office** — 2480 16th St., N. W., Washington, D. C. **Underwriter**—None.

**Equity Funding Corp. of America**
March 29, 1962 filed 240,000 common. **Price**—By amendment (max. $6.50). **Business**—A holding company for firms selling life insurance and mutual funds. **Proceeds**—For new sales offices, advances to subsidiaries and working capital. **Office**—5150 Wilshire Blvd., Los Angeles. **Underwriter**—Wisconsin-Continental, Inc., Milwaukee.

**Ernst, Inc. (10/15-19)**
Aug. 21, 1962 ("Reg. A") 60,000 common. **Price**—$5. **Business**—Manufacturing of men's ties. **Proceeds**—For debt repayment, new products, equipment and working capital. **Office**—712 Sansome St., San Francisco. **Underwriter**—Burr, Wilson & Co., Inc., San Francisco.

**Everbest Engineering Corp.**
April 2, 1962 filed 100,000 class A shares. **Price**—$2.40. **Business**—Manufacture and sale of long-lived electric lamps. **Proceeds**—New product development, inventories and working capital. **Office**—41 E. Twelfth St., N. Y. **Underwriter**—Planned Investing Corp., N. Y.

**Fabco, Inc.**
July 20, 1962 ("Reg. A") 200,000 common. **Price**—$1.50. **Business**—Manufacture of insulated water closet tanks, fiberglass gravel stop and laundry tubs. **Proceeds**—For debt repayment, equipment, and working capital. **Address**—Stillwater, Minn. **Underwriter**—Pewters, Donnelly & Jansen, Inc., St. Paul.

**Fabco Enterprises, Inc.**
Sept. 17, 1962 filed 83,500 common. **Price**—$4.50. **Business**—Operation of self-service retail shoe department in discount department stores and one retail store. **Proceeds**—For inventory, expansion, debt repayment, and working capital. **Office**—4906-08 Ave. D, Brooklyn, N. Y. **Underwriter**—Dynamic Planning Corp., 51 Broadway, New York.

● **Fairlane Finance Co., Inc. (10/8-11)**
June 13, 1962 ("Reg. A") $300,000 of 6½% sinking fund junior subordinated debentures due 1977. **Price**—At par. **Business**—An automobile and consumer finance company. **Proceeds**—For debt repayment, working capital and expansion. **Office** — Greenville, Rd., Easley, S. C. **Underwriter**—Alester G. Furman Co., Inc., Greenville, S. C.

**Falcon National Life Insurance Co.**
June 25, 1962 filed 300,000 common to be offered for subscription by stockholders on the basis of one new share for each three shares held. **Price**—$1.20. **Business**—Life insurance. **Proceeds** — For investments. **Office**—1330 Leyden St., Denver. **Underwriter**—None.

**Fastpak, Inc.**
Nov. 30, 1961 filed 125,000 common. **Price**—$5. **Business**—The distribution of nuts, bolts and other fastening devices manufactured by others. **Proceeds**—For debt repayment and general corporate purposes. **Office**—8 Benson Place, Freeport, N. Y. **Underwriter** — Arnold Malkan & Co., Inc., N. Y.

**Fidelity Mining Investments Ltd.**
Nov. 30, 1961 filed 800,000 common. **Price**—By amendment. **Business**—Exploration and testing of mining properties. **Proceeds**—For general corporate purposes. **Office**—62 Richmond St., Toronto. **Underwriter**—G. V. Kirby & Associates, Ltd., Toronto.

● **Fieldcrest Mills, Inc. (10/8-11)**
Aug. 31, 1962 filed 300,000 capital shares, of which 200,000 are to be offered by company and 100,000 by stockholders. **Price**—By amendment (max. $15). **Business**—Design, manufacture and marketing of household textile products. **Proceeds**—For debt repayment and working capital. **Address**—Spray, N. C. **Underwriter**—Blyth & Co., Inc., N. Y.

**First American Israel Mutual Fund (10/29-31)**
Aug. 15, 1962 filed 2,750,000 shares of beneficial interest. **Price**—By amendment (max. $10). **Business**—A mutual fund which plans to invest primarily in equity type securities of Israeli companies. **Proceeds**—For investment. **Office**—141 Milk St., Boston. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston.

**First Connecticut Small Business Investment Co. (10/29-31)**
March 9, 1962 filed 200,000 common. **Price**—By amendment (max. $15). **Business**—A small business investment company. **Proceeds**—For investment. **Office**—955 Main St., Bridgeport, Conn. **Underwriter**—P. W. Brooks & Co., N. Y.

**First Income Realty Trust**
Nov. 9, 1961 filed 500,000 shares of beneficial interest. **Price**—(For the first 10,000 shares) $10.80 per share. (For the balance) Net asset value plus 8% commission. **Business**—A real estate investment trust. **Proceeds**—For investment. **Office**—1613 Eye St., N. W., Washington, D. C. **Underwriter**—Sidney Z. Mensh Securities Co., Washington, D. C. **Note** — This company formerly was known as Perpetual Investment Trust.

**First New York Capital Fund, Inc.**
Oct. 27, 1961 filed 2,770,000 capital shares. **Price**—$1. **Business**—A small business investment company. **Proceeds**—For investment. **Office**—1295 Northern Blvd., Manhasset, N. Y. **Underwriter**—None.

**Florida Bancgrowth, Inc.**
March 16, 1962 filed 200,000 common. **Price**—By amendment (max. $15). **Business**—An investment company specializing in bank stocks. **Proceeds**—For investment. **Office**—3356 Atlantic Blvd., Pompano Beach, Fla. **Underwriter**—Dempsey-Tegeler & Co., Inc., St. Louis. **Note** This offering was postponed.

**Florida Jai Alai, Inc.**
June 28, 1962 filed 400,000 common. **Price**—$5. **Business** — Operation of Jai Alai games and pari-mutuel betting. **Proceeds**—For rent, purchase of leased quarters, building improvements, working capital. **Office**—Fern Park, Fla. **Underwriter**—To be named.

**Floseal Corp.**
May 10, 1962 filed 169,420 common to be offered for subscription by stockholders. **Price**—By amendment (max. $2). **Business**—Company owns and licenses carton pouring spout patents and die patents. **Proceeds**—For debt repayment and other corporate purposes. **Office**—100 W. 10th St., Wilmington, Del. **Underwriter**—None.

**Food & Drug Research Laboratories, Inc.**
May 24, 1962 filed 107,500 common, of which 100,000 are to be offered by company and 7,500 by stockholders. **Price**—By amendment (max. $5). **Business**—Chemical and biological research and testing for the food, drug, cosmetics, chemical and related industries. **Proceeds**—For expansion, equipment and debt repayment. **Address**—Maurice Ave. at 58th St., Maspeth, N. Y. **Underwriters**—Maltz, Greenwald & Co. and Rittmaster, Voisin & Co., N. Y.

**Forst (Alex) & Sons, Inc.**
March 23, 1962 filed 100,000 common. **Price**—By amendment (max. $15). **Business**—Wholesale distribution of

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toys and games. **Proceeds**—For selling stockholders. **Office**—2885 Jerome Ave., Bronx, N. Y. **Underwriter**—McDonnell & Co., N. Y. **Offering**—Temporarily postponed.

**Four Star Sportswear, Inc.**
March 27, 1962 filed 103,000 common. **Price**—$3. **Business**—Design, manufacture and distribution of men's outerwear, sportswear and rainwear. **Proceeds**—For plant expansion, equipment and working capital. **Office**—665 Broadway, N. Y. **Underwriter**—Magnus & Co., Inc., New York.

**Frederick's of Hollywood, Inc.**
March 26, 1962 filed 150,000 capital shares, of which 70,000 are to be offered by company and 80,000 by a stockholder. **Price**—$5. **Business**—Operation of a mail order business and a chain of women's apparel stores. **Proceeds**—For expansion and other corporate purposes. **Office**—6608 Hollywood Blvd., Los Angeles. **Underwriter**—To be named.

**Fund Investments, Inc.**
June 28, 1962 filed 80,000 class B common. **Price**—$5. **Business**—Retailing of mutual fund shares. **Proceeds**—For working capital and debt repayment . **Office**—1301 E. Morehead St., Charlotte, N. C. **Underwriter**—None.

**Gabriel Industries, Inc.**
March 30, 1962 filed 100,000 class A common shares. **Price**—By amendment (max. $11). **Business**—Design, manufacture and distribution of toys and sporting goods. **Proceeds**—For debt repayment **Office**—184 Fifth Ave., N. Y. **Underwriter**—Hemphill, Noyes & Co., N. Y.

**Gamma Leather Goods Corp.**
June 29, 1962 filed 75,000 common and 75,000 five-year warrants to be offered in units consisting of one share and one warrant. **Price**—$4.75 per unit. **Business**—Design, manufacture and sale of ladies' handbags and related items. **Proceeds**—For a new plant, sales promotion and working capital. **Office**—288 Plymouth Ave., Fall River, Mass. **Underwriter**—Hampstead Investing Corp., New York.

**Garden State Small Business Investment Co.**
Oct. 27, 1961 filed 330,000 common. **Price**—$3. **Business**—A small business investment company. **Proceeds**—For investment. **Office**—1180 Raymond Blvd., Newark, N. J. **Underwriter**—Godfrey, Hamilton, Taylor & Co., N. Y. **Offering**—Temporarily postponed.

**Garsite Products, Inc.**
July 13, 1962 ("Reg. A") 15,000 common. **Price**—$3.33. **Business**—Manufacture of machinery and equipment for the gasoline and oil marketing industries. **Proceeds**—For a selling stockholder. **Office**—4045 Merrick Rd., Seaford, L. I., N. Y. **Underwriter**—Theodore Arrin & Co., Inc., N. Y.

**Gaslight Club, Inc.**
Feb. 28, 1962 filed 100,000 common. **Price**—$5. **Business**—Company operates four "key clubs." **Proceeds**—For expansion, debt reduction, and working capital. **Office**—13 E. Huron St., Chicago. **Underwriter**—Myron A. Lomasney & Co., N. Y. **Offering**—Indefinitely postponed.

**General Design Corp.**
April 25, 1962 ("Reg. A") 65,000 common. **Price**—$3. **Business**—Design and development of new products for various industries. **Proceeds**—For debt repayment, equipment and working capital. **Office**—1252 W. Peachtree St., N. W., Atlanta, Ga. **Underwriter** — Robert M. Harris & Co., Inc., Philadelphia. **Note**—The SEC has issued an order temporarily suspending this issue.

**General Vitamin & Drug Corp.**
April 3, 1962 ("Reg. A") 78,000 common. **Price**—$2.75. **Business**—Sale of vitamins through department stores and mail order. **Proceeds** — For debt repayment, new products, sales promotion and working capital. **Office**—88 Cutter Mill Rd., Great Neck, L. I., N. Y. **Underwriter**—S. C. Burns & Co., Inc., New York.

**Gilfillan Corp.**
April 4, 1962 filed 254,000 common. **Price**—By amendment (max. $18). **Business**—Development and production of radar and other specialized electronic systems. **Proceeds**—For selling stockholders. **Office**—1815 Venice Blvd., Los Angeles. **Underwriter**—Blyth & Co., Inc., Los Angeles.

**Glasco Pacific, Inc.**
July 12, 1962 filed 250,000 class A and 250,000 common shares to be offered in units of one clsas A and one common share. **Price**—$5.05 per unit. **Business**—Company plans to manufacture flat glass mirrors and sliding wardrobe mirror doors and related products. **Proceeds**—For equipment, inventory and working capital. **Office**—1299 N. First Street, San Jose, Calif. **Underwriter**—Burr, Wilson & Co., Inc., San Francisco.

**Glen Ellen Corp.**
Sept. 6, 1962 filed $600,000 of 6% subord. income debentures due Jan. 1, 1983 and 24,000 common shares to be offered in units of one $1,000 debenture and 40 common shares. **Price**—$1,500 per unit. **Business**—Company plans to develop and operate a ski and recreational resort at Fayston, Vt. **Proceeds**—For construction. **Address**—Box 111, Waitsfield, Vt. **Underwriter**—None.

**Glensder Corp.**
March 23, 1962 filed 150,000 common, of which 60,000 are to be offered by the company and 90,000 by the company's parent, Glen Modes, Inc. **Price**—By amendment (max. $7). **Business**—Design, production and sale of women's fashion accessories, and sportswear. **Proceeds**—For general corporate purposes. **Office**—417 Fifth Ave., N. Y. **Underwriter**—Sprayregen, Haft & Co., N. Y. **Offering**—Indefinitely postponed.

**Global Construction Devices, Inc.**
June 29, 1962 filed 100,000 common. **Price**—$10. **Business**—Manufacture, sale and lease of steel supports and beams used in construction. **Proceeds**—For debt repayment, expansion, research, and inventory. **Office**—545 Cedar Lane, Teaneck, N. J. **Underwriters**—Winslow, Cohu & Stetson and Laird, Bissell & Meeds, N. Y.

**Gold Leaf Pharmacal Co., Inc.**
March 13, 1962 filed 80,000 common. **Price**—$4. **Business**—Manufacture, development and sale of pharmaceutical and veterinarian products. **Proceeds**—For advertising, research, debt repayment and working capital. **Office**—36 Lawton St., New Rochelle, N. Y. **Underwriter**—Droulia & Co., N. Y.

● **Goldsmith Bros. (10/1-5)**
June 29, 1962 filed 125,000 common, of which 62,500 are to be offered by company and 62,500 by stockholders. **Price**—By amendment (max. $8). **Business**—Retail sale of stationery office supplies and department store merchandise. **Proceeds**—For expansion and working capital. **Office**—77 Nassau St., N. Y. **Underwriter**—Federman, Stonehill & Co., New York.

**Good-Era Realty & Construction Corp.**
April 2, 1962 filed 550,000 class A shares. **Price**—$10. **Business**—Company plans to develop, operate, construct and manage real estate. **Proceeds**—For general corporate purposes. **Office**—151 N. Dean St., Englewood, N. J. **Underwriters**—Leiberbaum & Co. and Morris Cohon & Co., New York.

**Gotham Investment Corp.**
Nov. 21, 1961 filed 100,000 common. **Price**—$6. **Business**—Real estate investment. **Proceeds**—For working capital and other corporate purposes. **Office**—1707 H St., N. W., Washington, D. C. **Underwriter**—Rouse, Brewer, Becker & Bryant, Inc., Washington, D. C.

**Gourmet Food Products, Inc.**
May 25, 1962 filed 28,113 common. **Price**—$3.50. **Business** — Growing, purchasing, distributing and selling whole potatoes and processing and selling of prepared potato products. **Proceeds**—For the selling stockholders. **Office**—915 Southeast 10th Ave., Portland, Ore. **Underwriter**—To be named.

**Grand Bahama Development Co., Ltd.**
Jan. 23, 1962 filed 250,000 common. **Price** — By amendment. **Business**—Sale and development of land on Grand Bahama Island for residential and resort purposes. **Proceeds**—For general corporate purposes. **Office**—250 Park Ave., N. Y. **Underwriter**—Allen & Co., N. Y.

**Great Continental Real Estate Investment Trust**
Aug. 3, 1961 filed 300,000 shares of beneficial interest. **Price**—$10. **Business**—Real estate. **Proceeds**—For investment. **Office**—530 St. Paul Place, Baltimore. **Underwriter**—To be named. **Note**—This firm formerly was known as Continental Real Estate Investment Trust.

**Great Eastern Insurance Co.**
April 13, 1962 filed 381,600 common. **Price**—By amendment (max. $5). **Business**—Company plans to write certain types of fire and casualty insurance. **Proceeds**—For general corporate purposes. **Office**—116 John St., N. Y. **Underwriters**—Emanuel, Deetjen & Co., and Zuckerman, Smith & Co., N. Y.

**Greater McCoy's Markets, Inc.**
June 28 1962 filed 219,150 class A common. **Price**—By amendment (max. $14). **Business**—Operation of 16 supermarkets in the Los Angeles area. **Proceeds**—For selling stockholders. **Office**—17602 Bellflower Blvd., Bellflower, Calif. **Underwriter**—Morris Cohon & Co., New York.

**Greenman Bros., Inc.**
April 25, 1962 filed 150,000 common, of which 75,000 are to be offered by company and 75,000 by stockholders. **Price**—$10. **Business**—Wholesale and retail distribution of toys, hobby lines and sporting equipment. **Proceeds**—For debt repayment, inventory and working capital. **Office**—35 Engel St., Hicksville, N. Y. **Underwriter**—J. R. Williston & Beane, N. Y.

● **Gulf Atlantic Utilities, Inc. (10/29-11/2)**
July 30, 1962 filed 90,000 common. **Price**—By amendment (max. $10). **Business** — A management and operating company for subsidiaries which own water treatment and sewerage disposal plants, and water distribution and sewage collections systems. **Proceeds**—For debt repayment, expansion and working capital. **Office**—2738 Malinda Blvd., Jacksonville, Fla. **Underwriter**—Pierce, Carrison, Wulbern, Inc., Jacksonville.

**Hallandale Rock & Sand Co. (10/8-11)**
March 30, 1962 filed $250,000 of 8% subordinated debentures due 1977, 200,000 common and 6-year warrants to purchase 25,000 common at $1 per share to be offered in units consisting of a $10 debenture, 8 common shares and one warrant. **Price**—$18 per unit. **Business**—Extraction, processing and sale of rock and sand. **Proceeds**—For a new plant and other corporate purposes. **Address**—Hallandale, Fla. **Underwriter**—Mutch, Khanbegian, Flynn & Green, Inc., 115 Broadway, N. Y.

**Halo Lighting, Inc.**
Mar. 27, 1962 filed 300,000 common, of which 100,000 will be sold by the company and 200,000 by a stockholder. **Price**—By amendment. **Business**—Manufacture of recessed incandescent lighting fixtures. **Proceeds**—For general corporate purposes. **Office**—Chicago, Ill. **Underwriter**—R. W. Pressprich & Co., N. Y. **Offering**—Temporarily postponed.

● **Hanna-Barbara Productions, Inc.**
Dec. 29, 1961 filed 200,000 capital shares. **Price** — By amendment. **Business**—Production of television cartoons and commercials. **Proceeds** — For a new building and working capital. **Office**—3501 Cahuega Blvd., Los Angeles. **Underwriter**—Carl M. Loeb, Rhoades & Co., Inc., N. Y. **Note**—This registration was withdrawn.

**Harley Products, Inc.**
March 28, 1962 filed 75,000 common. **Price**—$4. **Business**—Design, production and distribution of belts and related products. **Proceeds**—For sales promotion, expansion, inventory and debt repayment. **Office**—476 Broadway, N. Y. **Underwriter**—To be named.

**Harris (Paul) Stores, Inc.**
See Paul, Harris Stores, Inc.

**Harwyn Publishing Corp.**
Jan. 29, 1962 filed 300,000 class A common. **Price** — By amendment. **Business** — Publishes illustrated encyclopedic works for children and operates an advertising agency for sale of TV and radio spot time. **Proceeds**—For working capital. **Office**—170 Varick St., N. Y. **Underwriter**—Van Alstyne, Noel & Co., N. Y. **Offering**—Indefinite.

**Hawaii Real Estate Investment Trust**
May 18, 1962 filed 1,000,000 shares of beneficial interest and eight-year stock purchase warrants to be offered in units consisting of one share and one warrant. **Price**—$10 per unit. **Business**—A real estate investment trust. **Proceeds**—For working capital. **Address**—Honolulu, Hawaii. **Underwriter**—White, Weld & Co., Inc., N. Y.

**Hawaiian Electric Co., Ltd.**
Aug. 23, 1962 filed 315,730 common to be offered for subscription by stockholders on the basis of one new share for each ten shares held of record Sept. 12, 1962. **Price**—By amendment. **Proceeds**—For expansion. **Office**—900 Richards St., Honolulu. **Underwriter**—None.

**Heartland Development Corp.**
March 28, 1962 filed 23,300 shares of 5% convertible preference stock to be offered for subscription by stockholders on basis of one preferred share for each 10 common held. **Price**—$12. **Business**—Real estate. **Proceeds**—For general corporate purposes and debt repayment. **Office**—40 Beaver St., Albany, N. Y. **Underwriter**—None.

● **Heck's Discount Centers, Inc.**
June 7, 1962 filed 125,000 common. **Price**—By amendment (max. $5). **Business**—Operation of discount stores. **Proceeds**—For inventory, expansion, debt repayment and working capital. **Office**—6400 MacCorkle Ave., S. W., St. Albans, W. Va. **Underwriter**—Willard Securities, Inc., N. Y. **Note**—This registration will be withdrawn.

**Hek Manufacturing Co., Inc.**
Aug. 7, 1962 ("Reg. A") 75,000 common, of which 69,000 shares are to be offered for the account of the company and 6,000 shares for the underwriter. **Price**—$2. **Business**—Manufacture of dental equipment. **Proceeds**—For debt repayment, advetrising, research and development and working capital. **Office**—2176 Palou, San Francisco. **Underwriter**—L. H. Wright Co., Inc., N. Y.

**Helix Land Co., Inc.**
April 27, 1962 filed 586,000 capital shares. **Price**—By amendment (max. $5). **Business**—General real estate. **Proceeds**—For general corporate purposes. **Office**—4265 Summit Dr., La Mesa, Calif. **Underwriter**—None.

**Herlin & Co., Inc.**
May 29, 1962 filed 100,000 common, of which 80,000 are to be offered by company and 20,000 by stockholders. **Price**—By amendment (max. $12.50). **Business**—Sale of wrist watches to holders of food chain, cash register tapes. **Proceeds**—For working capital. **Office**—2046 Bell Ave., St. Louis. **Underwriter**—Newhard, Cook & Co., St. Louis.

**Hickory Industries, Inc.**
Aug. 31, 1961 ("Reg. A") 40,000 common. **Price**—$5. **Business**—The manufacture of barbecue machines and allied equipment. **Proceeds**—For equipment, inventory, sales promotion, expansion and working capital. **Office**—10-20 47th Rd., Long Island City, N. Y. **Underwriter**—J. B. Coburn Associates, Inc., N. Y. **Offering**—Indefinite.

**Hill Street Co.**
Oct. 16, 1961 filed 2,265,138 common to be offered for subscription by stockholders of Union Bank of California on a share-for-share basis. **Price**—$3. **Business**—A management investment company. **Proceeds**—For investment. **Office**—760 S. Hill St., Los Angeles. **Underwriter**—None.

**Hoffman House Sauce Co., Inc.**
Feb. 28, 1962 filed $250,000 of 6½% subordinated sinking fund convertible debentures due 1977 and 25,650 common shares to be offered in units consisting of one $500 debenture and 50 common shares. **Price**—$1,000 per unit. **Business** — Manufacture of liquid and semi-solid salad dressings and specialty sauces. **Proceeds**—For debt repayment and expansion. **Office**—109 S. Webster St., Madison, Wis. **Underwriter**—Milwaukee Co., Milwaukee, Wis. **Offering**—Indefinitely postponed.

**Hollingsworth Solderless Terminal Co.**
Feb. 27, 1962 ("Reg. A") 75,000 common. **Price** — $4. **Business**—Manufacture, sale and development of solderless terminals and other wire terminating products. **Proceeds**—For debt repayment, equipment, advertising and working capital. **Address**—P. O. Box 430, Phoenixville, Pa. **Underwriter**—Harrison & Co., Philadelphia. **Offering**—Temporarily postponed.

**Honora, Ltd.**
Nov. 29, 1961 ("Reg. A") 76,500 common. **Price**—$3.75. **Business**—Purchase of cultured pearls in Japan and their distribution in the U. S. **Proceeds**—For general corporate purposes. **Office**—42 W. 48th St., N. Y. **Underwriter**—Sunshine Securities, Inc., Rego Park, N. Y.

**House of Koshu, Inc.**
March 29, 1962 filed 75,000 class A common. **Price**—$5. **Business**—Importing of Japanese liquors. **Proceeds**—For debt repayment, advertising, inventory and working capital. **Office**—129 S. State St., Dover, Del. **Underwriter**—To be named.

**Hunsaker Corp.**
March 30, 1962 filed $1,600,000 of convertible subordinated debentures due 1977 and 250,000 common shares. **Price** — By amendment (max. $6 per common share). **Business**—Construction of homes and apartments on land which company has acquired in Southern Calif. **Proceeds**

—For debt repayment and other corporate purposes. Office—15855 Edna Pl., Irwindale, Calif. Underwriter—Bateman, Eichler & Co., Los Angeles.

**Hydro-Swarf, Inc.**
March 30, 1962 filed 97,000 common, of which 80,000 will be sold by company and 17,000 by certain stockholders. Price—$5. Business—Manufacture, assembly and sale of aircraft and missile components on a sub-contract basis. Proceeds—For debt repayment and working capital. Office—7050 Valley View St., Buena Park, Calif. Underwriter—Raymond Moore & Co., Los Angeles.

**I. P. D. Financial Corp.**
Aug. 23, 1962 filed 300,000 common. Price—$4. Business—Company plans to furnish equity capital to business concerns, make loans and asstst in arranging mergers and corporate financing. Proceeds—For working capital and other corporate purposes. Office—200 W. 57th St., N. Y. Underwriters—J. J. LeCort Associates, Inc. and Harris, Clare & Co., Inc., N. Y.

**Ideal Toy Corp.**
May 1, 1962 filed 490,000 common, of which 250,000 will be offered by company and 240,000 by stockholders. Price—By amendment (max. $20). Business—Manufacture of toys and related products. Proceeds — For debt repayment and general corporate purposes. Office — 184-10 Jamaica Ave., Hollis, Long Island, N. Y. Underwriter—White, Weld & Co., Inc., N. Y. Offering — Indefinitely postponed.

**Indian Trail Ranch, Inc.**
Aug. 31, 1962 filed 54,238 common to be offered for subscription by stockholders on the basis of one new share for each four shares held. Price—$15. Business—Ownership of real estate, leases principally for farming and grazing. Proceeds—For debt repayment, working capital and other corporate purposes. Office—Southern Blvd., West Palm Beach, Fla. Underwriter—None.

**Industry Capital Corp.**
Dec. 26, 1961 filed 500,000 common. Price—$15. Business—A small business investment company. Proceeds—For general corporate purposes. Office—208 S. La Salle St., Chicago. Underwriter—A. C. Allyn & Co., Chicago. Note—This registration will be withdrawn.

**● Instromech Industries, Inc. (10/15-19)**
March 30, 1962 ("Reg. A") 100,000 common. Price—$3. Business—A contract manufacturer of precision products. Proceeds—For acquisition of land and building, equipment, inventory and other corporate purposes. Office—4 Broadway Plaza, Huntington Station, N. Y. Underwriter—Price Investing Co., N. Y.

**Instron Engineering Corp.**
March 26, 1962 filed 120,000 common. Price—By amendment (max. $14). Business—Development and production of equipment for use in testing the physical characteristics of various materials. Proceeds—For selling stockholders. Office—2500 Washington St., Canton, Mass. Underwriter—None.

**Instrument Components, Inc.**
June 11, 1962 ("Reg. A") 135,000 common. Price — $1. Business — Manufacture and distribution of electromechanical rotating devices. Proceeds—For debt repayment, sales promotion and other corporate purposes. Office—312 Mt. Pleasant Ave., Newark, N. J. Underwriter—Gold-Slovin Co., Inc., N. Y.

**Intercontinental Management Corp.**
July 31, 1962 filed 144,500 common. Price—$7. Business Operation of bowling centers. Proceeds—For expansion, working capital and debt repayment. Office—19 Country Club Shopping Center, Levittown, Pa. Underwriter—Walnut Securities Corp., Philadelphia.

**International Drug & Surgical Corp.**
March 23, 1962 filed 150,000 class A shares. Price—$4. Business—Importing, licensing, and manufacturing of pharmaceutical and medical instruments. Proceeds—For working capital and other corporate purposes. Office—375 Park Ave., N. Y. Underwriters—Seymour Blauner Co., and Wm. Stix Wasserman & Co., Inc., N. Y.

**International Realty Corp.**
April 27, 1962 filed $18,000,000 of s. f. debentures due 1977, 360,000 common shares and five year warrants to purchase 540,000 common shares to be offered in 180,000 units, each unit consisting of $100 of debentures, two common shares and warrants to purchase three additional shares. Price—By amendment (max. $110 per unit). Business—Real estate investment. Proceeds—For debt repayment, construction, and other corporate purposes. Office—919 N. Michigan Ave., Chicago. Underwriter—Kidder, Peabody & Co., N. Y. Offering—Indefinitely postponed.

**International Systems Research Corp.**
March 30, 1962 filed 110,000 class A common and 9-month warrants to purchase 110,000 class A shares at $4 per share, to be offered in units, each consisting of one share and one warrant. Price—$4 per unit. Business—Design, development and manufacture of mechanical, electromechanical and electronic equipment for government agencies and the military. Proceeds—For equipment, debt repayment and working capital. Office—Engineer's Hill, Plainview, L. I., N. Y. Underwriter—International Services Corp., Clifton, N. J.

**Interstate Equity**
March 30, 1962 filed 1,605,100 shares of beneficial interest. Price—(max. $10). Business—A real estate investment company. Proceeds—For investment. Office—450 Seventh Ave., N. Y. Underwriter—Van Alstyne, Noel & Co., N. Y.

**Interworld Film Distributors, Inc. (10/29)**
Sept. 29, 1961 filed 106,250 common. Price—$4. Business—Theatrical distribution and co-production of foreign and domestic feature films. Proceeds—For acquisition, co-production, dubbing, adaptation and distribution of films, and working capital. Office—1776 B'way, N. Y. Underwriters—General Securities Co., Inc., and S. Kasdan & Co., Inc., N. Y.

**Investment Management Corp.**
May 10, 1962 filed 100,000 common to be offered for subscription by stockholders on a 2-for-1 share basis. Unsubscribed shares will be offered to the public. Price—To stockholders, $2.50; to the public, $3.50. Business—Manager and distributor for Western Industrial Shares, Inc., a mutual fund. Proceeds—For debt repayment and general corporate purposes. Office—818 17th St., Denver. Underwriter—None.

**Investors Realty Trust**
May 31, 1962 filed 200,000 shares. Price — $10. Business—A real estate investment trust. Proceeds — For construction and investment. Office — 3315 Connecticut Ave., N. W., Washington, D. C. Underwriter—None.

**Iona Manufacturing Co.**
Jan. 26, 1962 filed 140,000 common, of which 125,000 are to be offered by the company and 15,000 shares by a stockholder. Price—By amendment. Business—Manufacture of household electric appliances and electric motors. Proceeds—For new products and working capital. Office—Regent St., Manchester, Conn. Underwriter — S. D. Fuller & Co., N. Y. Offering—Expected in mid-October.

**Jaap Penraat Associates, Inc.**
Jan. 30, 1962 filed 100,000 common. Price—$3. Business—Industrial designing, the design of teaching machines and the production of teaching programs. Proceeds—For expansion, new facilities and working capital. Office—315 Central Park W., N. Y. Underwriter—R. F. Dowd & Co., Inc., N. Y.

**Jackson's/Byrons Enterprises Inc. (10/15-19)**
March 13, 1962 filed $750,000 convertible subordinated debentures due 1977; also 120,000 class A common, of which 66,666 shares are to be offered by the company and 53,334 by stockholders. Price—By amendment (max. $12.50 for common). Business—Operation of a chain of retail department stores. Proceeds—For debt repayment and working capital. Office—29 N. W. 10th St., Miami, Fla. Underwriter—Clayton Securities Corp., Boston.

**Jamaica Public Service Ltd.**
March 30, 1962 filed 215,000 common, of which 100,000 shares are to be offered by company and 115,000 shares by stockholders. Price — By amendment (max. $25). Business—A holding company for a Jamaican Electric utility. Proceeds—For acquisition of additional stock in subsidiary. Office—507 Place D'Armes, Montreal, Canada. Underwriters — Stone & Webster Securities Corp. and Greenshields & Co., Inc., N. Y. Offering—Indefinitely Postponed.

**● Jamoco Air Conditioning Corp. (10/29-11/2)**
Feb. 28, 1962 ("Reg. A") 40,000 common. Price — $3. Business—Design, installation and maintenance of heating, plumbing and air conditioning systems. Proceeds—For inventory, equipment and other corporate purposes. Office — 954 Jamaica Ave., Brooklyn, N. Y. Underwriter—Martin-Warren Co., Ltd., N. Y.

**● Jerlee Products Corp.**
May 1, 1962 filed 75,000 common. Price—$4.25. Business—Processing and distribution of vinyl roll plastic fabric and vinyl tablecloths, and various foam rubber items. Proceeds—For equipment, raw materials, debt repayment and working capital. Office—596-612 Berriman St., Brooklyn, N. Y. Underwriter—Weisel, Kleinman & Co., Inc., Garden City, N. Y. Offering—Imminent.

**Jetronic Industries, Inc.**
Sept. 7, 1962 filed $375,000 of 6½% subord. conv. debentures due 1972. Price—At par. Business—Design, development and manufacture of electronic equipment. Proceeds—For debt repayment and working capital. Office—Main & Cotton Sts., Philadelphia. Underwriter—Weil & Co., Washington, D. C.

**Kaiser-Nelson Corp. (11/7)**
March 29, 1962 filed 140,000 common, of which 70,000 are to be offered by company and 70,000 by stockholders. Price—By amendment (max. $10). Business—Reclamation of metallics from steel slag; mining of sand and gravel; and dismantling and salvage of industrial buildings. Proceeds—For new plants, debt repayment and working capital. Office—6272 Canal Rd., Cleveland. Underwriter—Robert L. Ferman & Co., Inc., Miami, Fla.

**Kaltman (D.) & Co., Inc.**
June 28, 1962 filed $1,650,000 6% conv. subord. debens. due 1977 being offered for subscription by stockholders on the basis of $100 of debentures for each 100 shares held of record Sept. 18, with rights to expire Oct. 15, 1962. Price — At par. Business—Operation of a wholesale drug business. Proceeds—For debt repayment and working capital. Office—425 Park Ave., N. Y. Underwriter—None.

**Kaufman Carpet Co., Inc.**
March 29, 1962 filed 250,000 common. Price—$5. Business—Operation of a chain of retail stores selling carpets and rugs. Proceeds—For expansion, inventory, debt repayment and working capital. Office—1800 Boston Rd., Bronx, N. Y. Underwriter—Michael G. Kletz & Co., N. Y.

**Kavanau Corp.**
March 29, 1962 filed 50,000 shares 6% cum. preferred and four-year common stock purchase warrants to be offered in units consisting of one preferred and one warrant. Price—By amendment (max. $101 per unit). Business—Real estate investment. Proceeds—For debt repayment and working capital. Office—30 E. 42nd St., N. Y. Underwriter—Hayden, Stone & Co., N. Y.

**Kay Foods Corp.**
Dec. 29, 1961 filed 88,000 class A common shares, of which 44,000 are to be offered by the company and 44,000 by stockholders. Price—$7. Business—Packing and sale of fruit juice products. Proceeds—For general corporate purposes. Office—241 N. Franklintown Rd., Baltimore. Underwriter — Auchincloss, Parker & Redpath, Washington, D. C. Offering—Indefinitely postponed.

**Keene Packaging Associates**
April 2, 1962 filed 165,000 common, of which 100,000 are to be offered by company and 65,000 by stockholders. Price—$4. Business—Design and manufacture of semi-rigid vinyl plastic cases and containers for packaging. Proceeds — For debt repayment, working capital and other corporate purposes. Office — 947 Newark Ave., Elizabeth, N. J. Underwriter—Hardy & Co., N. Y.

**Kenner Products Co.**
March 30, 1962 filed 542,000 common, of which 205,000 are to be offered by company and 317,000 by stockholders. Price—By amendment (max. $24). Business—Manufacture, design, and distribution of plastic toys. Proceeds—For general corporate purposes. Office—912 Sycamore St., Cincinnati, Ohio. Underwriter—Kuhn, Loeb & Co., New York.

**Keystone Discount Stores, Inc.**
May 24, 1962 filed 110,000 common. Price—By amendment ($5.25). Business—Operation of three retail discount stores. Proceeds—For expansion. Address—R. D. No. 2, North Lebanon Township, Lebanon, Pa. Underwriters—Suplee, Yeatman, Mosley Co., Inc. and Woodcock, Moyer, Fricke & French, Inc., Philadelphia.

**Keystone-Universal Industries Inc.**
July 24, 1962 filed 100,000 common. Price—$3.50. Business—Retail sale of carpets. Proceeds — For expansion and working capital. Office—4042-54 Sawmill Run Blvd., Pittsburgh. Underwriter — Strathmore Securities, Inc., Pittsburgh.

**Kine Camera Co., Inc.**
Nov. 21, 1961 filed 75,000 common. Price—$5. Business—Importing and distribution of cameras, binoculars and photographic equipment. Proceeds—For debt repayment and working capital. Office—889 Broadway, N. Y. Underwriter—Underhill Securities Corp., N. Y.

**Kingsberry Homes Corp.**
April 9, 1962 filed 140,000 shares of capital stock of which 100,000 will be offered by company and 40,000 by stockholders. Price—By amendment (max. $17.50). Business—Manufacture of prefabricated homes. Proceeds—For a new plant. Office—1725 S. Gault Ave., Ft. Payne, Ala. Underwriters—The Robinson-Humphrey Co., Inc., Atlanta, and J. C. Bradford & Co., Nashville. Offering—Indefinitely postponed.

**Kornhandler (Lou), Inc.**
July 27, 1962 ("Reg. A") 125,000 common. Price—$2. Business—Manufacture and wholesaling of women's apparel. Proceeds—For debt repayment, equipment, sales promotion and working capital. Office—910 S. Los Angeles St., Los Angeles. Underwriter—Costello, Russotto & Co., Beverly Hills, Calif. Offering—Imminent.

**Kraft (John) Sesame Corp.**
May 24, 1962 filed $225,000 of 6% conv. subord. debentures, due 1972, and 150,000 common to be offered in units consisting of a $300 debenture and 200 shares. Price—$900 per unit. Business—Processing and distribution of sesame seed. Proceeds—For accounts receivable, inventories, plant expansion and working capital. Office—2301 N. Main St., Paris, Texas. Underwriters—John A. Dawson & Co., and Leason & Co., Inc., Chicago.

**Kreedman Realty & Construction Corp.**
April 19, 1962 filed $5,000,000 of conv. subord. debentures due 1982 and 200,000 common shares to be offered in units consisting of $25 of debentures and one common share. Price—By amendment (max. $27). Business—Construction and operation of office buildings. Proceeds—For debt repayment. Office—9350 Wilshire Blvd., Beverly Hills, Calif. Underwriter—Lee Higginson Corp., New York. Offering—Indefinitely postponed.

**Kwik-Kold, Inc.**
March 29, 1962 ("Reg. A") 100,000 common of which 65,000 will be sold for company and 35,000 for stockholders. Price — $3. Business — Manufacture of certain patented cooling packages. Proceeds—For debt repayment and working capital. Office—Jennings Bldg., P. O. Box 638, Moberly, Mo. Underwriter—John W. Flynn & Co., Santa Barbara, Calif. Note—This letter will be withdrawn.

**● Lady Baltimore Foods, Inc.**
Aug. 23, 1962 ("Reg. A") 75,000 class A common. Price—$4. Business—Wholesale distribution of groceries and the manufacture of French dressing and barbecue sauce. Proceeds—For debt repayment, new products and expansion. Office—35 Southwest Blvd., Kansas City, Kan. Underwriter — Blackford & Co., Inc., Kansas City, Mo. Offering—Imminent.

**Laminetics Inc. (10/8-12)**
March 22, 1962 filed 80,000 common. Price—$3.50. Business—Production and sale of gift sets, linens, place mats, etc. Proceeds—For equipment, moving expenses, sales promotion and other corporate purposes. Office — 20 W. 27th St., N. Y. Underwriter—Fabrikant Securities Corp., N. Y.

**Lee-Norse Co.**
May 25, 1962 filed 272,000 common. Price—By amendment (max. $20). Business—Production of a coal mining machine. Proceeds—For selling stockholders. Office—751 Lincoln Ave., Charleroi, Pa. Underwriter—Moore, Leonard & Lynch, Pittsburgh. Offering — Temporarily postponed.

**Lembo Corp.**
Dec. 21, 1961 filed 100,000 common. Price—$3.50. Business—Manufactures steel re-inforced concrete utilities sanitary structures, fallout shelters and play sculptures. Proceeds—For debt repayment, sales promotion and working capital. Office—145 W. 11th St., Huntington

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Station, L. I., N. Y. **Underwriter**—Blank, Lieberman & Co., Inc., N. Y.

**Levine's, Inc.**
March 19, 1962 filed 80,000 common. **Price**—By amendment (max. $17.50). **Business** — Operation of a chain of clothing and dry goods stores. **Proceeds** — For selling stockholders. **Office** — 8908 Ambassador Row, Dallas. **Underwriter**—Kidder, Peabody & Co., N. Y. **Offering**—Indefinitely postponed.

**Lewis (Tillie) Foods, Inc. (10/22-26)**
April 9, 1962 filed $4,000,000 of 5½% convertible subordinated debentures due 1977. **Price**—At par. **Business**—Processing, canning, bottling and selling of fruits and vegetables. **Proceeds**—For debt repayment and working capital. **Office**—Fresno Ave. & Charter Way, Stockton, Calif. **Underwriter**—Van Alstyne, Noel & Co., N. Y.

**Lilli Ann Corp.**
March 29, 1962 filed $750,000 of conv. subord. debentures due 1977, also 100,000 common shares to be offered by stockholders. **Price**—By amendment. **Business**—Design, manufacture and distribution of women's high fashion suits and coats. **Proceeds**—Net proceeds from the debenture sale will be added to the general funds of the company, a portion of which may be used to retire short-term loans. **Office**—2701 16th St., San Francisco. **Underwriters**—Sutro & Co., San Francisco and F. S. Smithers & Co., New York.

● **Livestock Financial Corp. (10/8-11)**
Feb. 23, 1962 filed 130,000 common. **Price**—$10. **Business**—An insurance holding company whose subsidiaries insure the lives of all types of animals. **Proceeds**—To form new subsidiaries. **Office**—26 Platt St., N. Y. **Underwriter**—Shearson, Hammill & Co., N. Y.

**Lockfast Mfg. Co.**
Jan. 11, 1962 ("Reg. A") 85,000 common. **Price** — $3.50 **Business**—Manufacture of furniture hardware for sale to furniture manufacturers. **Proceeds**—For debt repayment, steel inventories nad plant expansion. **Office**—3006 Boarman Ave., Baltimore. **Underwriter**—R & D Investors Corp., Port Washington, N. Y.

**Logos Options, Ltd.**
April 11, 1962 filed 250,000 capital shares. **Price** — By amendment (max. $10). **Business**—A diversified closed-end investment company. **Proceeds**—For investment. **Office**—26 Broadway, N. Y. **Underwriter**—Filor, Bullard & Smyth, N. Y. **Note**—This company formerly was named Logos Financial, Ltd.

● **Lordhill Corp.**
March 30, 1962 filed 63,000 common. **Price**—$5. **Business**—Company provides optometric services and dispenses optical items. **Proceeds**—For expansion, a laboratory and working capital. **Office**—130 W. 57th St., N. Y. **Underwriters**—J. R. Williston & Beane and Doft & Co., Inc., N. Y. **Note**—This registration was withdrawn.

**Lunar Films, Inc.**
Aug. 31, 1961 filed 125,000 common. **Price**—$5.75. **Business**—The production of television films. **Proceeds**—For filming and production and working capital. **Office**—543 Madison Ave., N. Y. **Underwriter**—To be named. **Note**—This firm formerly was named Lunar Enterprises, Inc. **Offering**—Postponed.

● **Lyntex Corp. (10/1-5)**
June 29, 1962 filed $600,000 of 6½% s. f. debentures due 1977 and 120,000 common to be offered in units consisting of $500 of debentures and 100 common. **Price**—By amendment (max. $720 per unit). **Business**—Manufacture of light gauge vinyl plastic film and sheeting. **Proceeds**—For acquisition of predecessor's business and working capital. **Office**—40 E. 34th St., N. Y. **Underwriter**—P. W. Brooks & Co., Inc., N. Y.

**Mac-Allan Co., Inc.**
Feb. 23, 1962 filed 130,260 of class A common, of which 65,130 are to be offered by the company and 65,130 by stockholders. **Price**—$5. **Business**—Sale and distribution of costume jewelry, ladies' handbags, and accessories. **Proceeds** — For working capital. **Office** — 1650 Broadway, Kansas City, Mo. **Underwriter**—George K. Baum & Co., Kansas City. **Offering**—Indefinitely postponed.

**Magellan Sounds Corp.**
Feb. 28, 1962 filed 60,000 common (with attached one-year class A warrants to purchase 60,000 common shares at $4 per share and two-year class B warrants to purchase 60,000 shares at $4.50 per share) to be offered in units (each consisting of one share, one class A warrant and one class B warrant). **Price**—$4 per unit. **Business**—Production of educational and recreational devices and games. **Proceeds**—For general corporate purposes. **Office**—130 E. 40th St., N. Y. **Underwriter**—To be named.

**Mail Assembly Service, Inc.**
April 27, 1962 filed 100,000 common. **Price**—$2.25. **Business**—Assembling of packages for shipment to post offices. **Proceeds**—For general corporate purposes. **Office**—145 Ave. of the Americas, N. Y. **Underwriter**—Globus, Inc., N. Y.

**Majestic Utilities Corp.**
July 31, 1962 filed 29,000 common. **Price**—By amendment (max. $4). **Business**—Door to door sale of merchandise and collection of the accounts receivable. **Proceeds**—For a selling stockholder. **Office**—1514 Arapahoe St., Denver. **Underwriter**—None.

**Mammoth Mart Inc.**
April 5, 1962 filed 200,000 common, of which 100,000 are to be sold by company and 100,000 by stockholders. **Price**—By amendment (max. $15). **Business**—Operation of self-service discount department stores. **Proceeds** — For debt repayment and working capital. **Office**—106 Main St., Brockton, Mass. **Underwriter**—McDonnell & Co., New York

**Management Investment Corp.**
Aug. 29, 1962 filed 2,000 common (with attached warrants). **Price**—$500. **Business**—Company plans to furnish equity capital to firms in the atomic, space and missile fields, and provide advisory and management counseling services on a fee basis. **Proceeds**—For repayment of loans, and general corporate purposes. **Office**—130 Fulton Federal Bldg., Atlanta. **Underwriter**—None.

**Manhattan Drug Co., Inc.**
March 29, 1962 filed 72,000 common, of which 58,000 are to be offered by company and 14,000 by stockholders. **Price**—$3.50. **Business**—Manufacture, packaging and sale of various proprietary drug products. **Proceeds**—For equipment, new products, debt repayment and working capital. **Office**—156 Tillary St., Brooklyn, N. Y. **Underwriter**—Dana Securities Co., Inc., N. Y.

**Manna Real Estate Investment Trust**
Aug. 30, 1962 filed 460,000 shares of beneficial interest. **Price**—$11. **Business**—A real estate investment trust. **Proceeds**—For investment. **Office**—1500 Massachusetts Ave., N. W., Washington, D. C. **Underwriter**—Manna Financial Planning Corp. (same address).

**Maremont Corp.**
Sept. 10, 1962 filed 120,000 common. **Price**—By amendment (Max. $50). **Business**—Manufacture of automotive replacement parts. **Proceeds**—To repay bank loans. **Office**—168 N. Michigan Ave., Chicago. **Underwriters**—Kuhn, Loeb & Co., Inc., N. Y., and Straus, Blosser & McDowell, Chicago.

**Marin County Financial Corp.**
May 2, 1962 filed 102,050 capital shares, of which 27,790 are to be offered by company and 74,260 by stockholders. **Price**—By amendment (max. $18). **Business**—A holding company for a savings and loan association. **Proceeds**—For investment. **Office**—990 Fifth Ave. at Court, San Rafael, Calif. **Underwriter**—Dean Witter & Co., San Francisco. **Offering**—Indefinitely postponed.

● **Marshall Press, Inc.**
May 29, 1962 filed 60,000 common. **Price**—$3.75. **Business**—Graphic design and printing. **Proceeds**—For publishing a sales catalogue, developing a national sales staff and working capital. **Office**—812 Greenwich St., N. Y. **Underwriter**—To be named. **Offering**—Indefinitely postponed.

**Masters, Inc.**
March 22, 1962 filed $1,500,000 of 6% conv. subord. debentures due 1972; also 150,000 common shares, of which 80,000 will be offered by the company and 70,000 by a stockholder. The securities will be offered in units of one $100 debenture and 10 common shares, except that up to $700,000 of debentures and 70,000 shares may be offered separately. **Price**—For debentures, at par; for common, $10. **Business**—Operation of discount department stores selling a wide variety of merchandise. **Proceeds**—For expansion. **Office**—135-21 38th Ave., Flushing, N. Y. **Underwriters**—Sterling, Grace & Co., and Norton, Fox & Co., Inc., N. Y. **Offering**—Indefinitely postponed.

**McGrath (John W.) Corp. (10/8-11)**
June 28, 1962 filed 253,875 common. **Price**—By amendment (max. $15). **Business**—Contract stevedoring and related operations. **Proceeds**—For selling stockholders. **Office**—39 Broadway, N. Y. **Underwriter**—Bear, Stearns & Co., New York.

**Mechmetal-Tronics Inc.**
May 28, 1962 filed 150,000 shares of 8% convertible cumulative preferred stock. **Price**—$3. **Business**—Design and manufacture of miniature metal bellows and other miniature products. **Proceeds**—For debt repayment, research and development and working capital. **Office**—12 Rochelle Ave., Rochelle Park, N. J. **Underwriter**—Charles Plohn & Co., New York.

**Medical Industries Fund, Inc.**
Oct. 23, 1961 filed 25,000 common. **Price**—$10. **Business**—A closed-end investment company which plans to become open-end. **Proceeds**—For investment in the medical industry and capital growth situations. **Office**—677 Lafayette St., Denver. **Underwriter**—Medical Associates, Inc., Denver.

**Medical Video Corp.**
Nov. 13, 1961 filed 250,000 common. **Price**—$10. **Business**—Manufacture of medical electronic equipment. **Proceeds**—For general corporate purposes. **Office**—Studio City, Calif. **Underwriter**—Financial Equity Corp., Los Angeles.

**Memorial Services, Inc.**
April 30, 1962 filed 1,200,000 common. **Price**—$1. **Business**—Company plans to acquire and operate funeral homes. **Proceeds**—For acquisitions, debt repayment and working capital. **Office**—315 E. Sixth Ave., Helena, Mont. **Underwriter**—Memorial Securities, Inc., Helena.

**Mercantile Stores Co., Inc.**
May 24, 1962 filed 169,302 common. **Price**—By amendment (max. $26). **Business**—Operation of a chain of department stores. **Proceeds**—For selling stockholders. **Office**—100 W. 10th St., Wilmington, Del. **Underwriter**—Clark, Dodge & Co., Inc., N. Y.

**Mercury Books, Inc.**
Feb. 14, 1962 filed 55,000 common. **Price**—$4.50. **Business**—Publishing of newly written popular biographies. **Proceeds**—For working capital. **Office**—1512 Walnut St., Philadelphia. **Underwriter**—To be named. **Offering**—Temporarily postponed.

● **Met Food Corp. (10/8-11)**
March 30, 1962 filed $1,500,000 of convertible subordinated debentures due Sept. 1, 1977. **Price**—By amendment. **Business**—Distribution of food and related products to supermarkets and other retail stores in the New York Metropolitan area. **Proceeds**—For general corporate purposes. **Office**—345 Underhill Blvd., Syosset, N. Y. **Underwriter**—Brand, Grumet & Siegel, Inc., N. Y.

**Metropolitan Acceptance Corp.**
Oct. 2, 1961 filed $300,000 of 6% subordinated convertibles due 1967 and 60,000 common shares to be offered in units consisting of $100 of debentures and 20 common shares. **Price**—$150 per unit. **Business**—Financing of retail sales. **Proceeds**—For working capital. **Office**—5422 Western Ave., Chevy Chase, Md. **Underwriter**—To be named.

● **Metropolitan Realty Trust**
Dec. 20, 1961 filed 1,000,000 shares of beneficial interest. **Price**—$6.50. **Business**—A real estate investment trust. **Proceeds**—For general corporate purposes. **Office**—1700 K St., N. W., Washington, D. C. **Underwriter**—Eisele & King, Libaire, Stout & Co., N. Y. **Offering**—Expected in late October.

**Midwest Technical Development Corp.**
Feb. 26, 1962 filed 561,500 common to be offered for subscription by stockholders on the basis of one share for each two shares held. **Price**—By amendment (max. $7). **Business** — A closed-end management investment company. **Proceeds** — For general corporate purposes. **Office** — 2615 First National Bank Bldg., Minneapolis. **Underwriter**—None.

**Midwestern Corp.**
Aug. 23, 1962 filed 180,000 common and 15-year warrants to purchase 36,000 common to be offered in units consisting of one share and one-fifth warrant. **Price**—$12 per unit. **Business**—A holding company for a legal reserve life insurance concern. **Proceeds**—To purchase shares of the subsidiary and for working capital. **Office**—75 Public Sq., Cleveland. **Underwriters**—Westheimer & Co., Cincinnati, and Hartzmark & Co., Inc., Cleveland.

**Monarch Plastics Corp.**
May 28, 1962 ("Reg. A") 140,000 common. **Price**—$2. **Business**—Manufacture and sale of plastic letters, embossed sign faces, quantity signs and boat windshields. **Proceeds**—For purchase of land and building, moving expenses, equipment and working capital. **Office**—5606 Stuebner Airline Rd., Houston. **Underwriter**—W. R. Sauve Co., N. Y.

**Montebello Liquors, Inc.**
April 5, 1962 filed 160,000 common. **Price**—By amendment (max. $5). **Business**—Blending, bottling and marketing of alcoholic beverages. **Proceeds**—For equipment, inventories, advertising and working capital. **Office**—Bank St. & Central Ave., Baltimore. **Underwriters**—Street & Co., and Morris Cohon & Co., N. Y. **Offering**—Temporarily postponed.

● **Moskatel's, Inc.**
May 28, 1962 filed 104,000 capital shares, of which 20,000 are to be offered by the company and 84,000 by stockholders. **Price**—By amendment (max. $8.50). **Business**—Sale of artificial flowers and florists' supplies. **Proceeds**—For payment of income taxes. **Office**—738 S. Wall St., Los Angeles, Calif. **Underwriter**—Thomas Jay, Winston & Co., Inc., Beverly Hills, Calif. **Note**—This registration was withdrawn.

**Multronics, Inc.**
Jan. 5, 1962 ("Reg. A") 100,000 capital shares. **Price**—$3. **Business**—Production of electronic parts and components and the furnishing of consulting services in the radio-engineering field. **Proceeds**—For debt repayment, equipment, and working capital. **Office**—2000 P St., N. W., Washington, D. C. **Underwriter** — Switzer & Co., Inc., Silver Spring, Md **Offering**—Temporarily postponed.

**Municipal Investment Trust Fund, Series B**
April 28, 1961 filed $12,750,000 (12,500 units) of interests. **Price** — To be supplied by amendment. **Business** — The fund will invest in tax-exempt bonds of states, counties, municipalities and territories of the U. S. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., 111 Broadway, New York.

**Music Royalty Corp.**
July 27, 1962 filed 150,000 common. **Price**—$1. **Business**—Company acts as representative of artists, musicians, etc. and plans to engage in the music publishing business. **Proceeds**—For debt repayment, public relations, acquisition of musical properties, and working capital. **Office**—545 Fifth Ave., N. Y. **Underwriter**—Associated Securities Co., 545 Fifth Ave., N. Y.

**National Bank of Israel, Ltd.**
See Bank Leumi Le-Israel B. M.

● **National Blank Book Co. (10/8-11)**
Aug. 29, 1962 filed 160,000 common. **Price**—By amendment. **Business**—Production of blank books, loose leaf devices, forms etc. **Proceeds**—For selling stockholders. **Office**—Water St., Holyoke, Mass. **Underwriter**—Blyth & Co., Inc., N. Y.

**National Directories, Inc.**
March 29, 1962 ("Reg. A") 100,000 common. **Price**—$2.75. **Business**—Compilation and publication of regional classified telephone directories. **Proceeds**—For general corporate purposes. **Office**—3306 Lancaster Ave., Philadelphia. **Underwriter**—Crichton, Cherashore, Cundy, Inc., New York. **Note**—This letter will be withdrawn.

**National Equipment & Plastics Corp.**
Sept. 28, 1961 filed 105,000 common. **Price**—$5. **Business**—Operation of a cleaning and pressing plant and affiliated stores. **Proceeds**—For debt repayment, store expansion and working capital. **Address** — Portage, Pa. **Underwriter**—Cortlandt Investing Corp., N. Y. **Offering**—Indefinitely postponed.

**National Security Life Insurance Co.**
March 23, 1962 filed 100,000 common, of which 80,000 are to be offered by company and 20,000 by stockholders. **Price**—$17.50. **Business**—A life, accident and health insurance company. **Proceeds**—For investment. **Office** — 130 Alvarado, N. E. Albuquerque, N. M.

Underwriter—To be named. Note—The SEC has questioned the accuracy and adequacy of this registration statement.

**National Semiconductor Corp.**
May 11, 1961 filed 75,000 shares of capital stock. Price—To be supplied by amendment. Business—The design, development, manufacture and sale of quality transistors for military and industrial use. Proceeds — For new equipment, plant expansion, working capital, and other corporate purposes. Office—Mallory Plaza Bldg., Danbury, Conn. Underwriters—Lee Higginson Corp., New York., and Piper, Jaffray & Hopwood, Minneapolis.

**National Telepix, Inc.**
July 30, 1962 filed $150,000 of 6½% conv. subord. debentures due 1972. Price—At par. Business—Production of motion pictures. Proceeds—For production and distribution expenses and working capital. Office—1270 Ave. of the Americas, N. Y. Underwriter—None.

**National Uni-Pac, Inc.**
July 31, 1962 filed 85,000 common. Price—By amendment (max. $4). Business—Company plans to sell or lease coin operated vending machines. Proceeds—For debt repayment, equipment and working capital. Office—15 Peachtree St., Atlanta. Underwriter—Drourr, Lampert & Co., Inc., N. Y.

**• National Union Life Insurance Co. of Pittsburgh**
Sept. 10, 1962 filed 100,000 capital shares, to be offered for subscription by stockholders of the company's parent, National Union Fire Insurance Co. of Pittsburgh, on the basis of one share for each 8 held of record Oct. 8, 1962. Price—$15. Business — Company writes life and allied classes of insurance. Proceeds—For general corporate purposes. Office — 139 University Place, Pittsburgh. Underwriter—None. Offering—Expected in late October.

**Natural Gas & Oil Producing Co.**
Sept. 7, 1962 filed 180,000 class A common. Price—$5. Business—Production of natural gas and oil. Proceeds—For drilling expenses, working capital and other corporate purposes. Office—Tekoil Bldg., Oklahoma City. Underwriter—Peter Morgan & Co., N. Y.

**Nebraska Consolidated Mills Co.**
Sept. 17, 1962 filed $3,000,000 of 6¾% subord. s. f. debentures, series A, due 1977. Price—$1,000. Business—Manufacture of flour, animal feed, and other consumer and agricultural products. Proceeds—For debt repayment and the financing of increased inventories and accounts receivable. Office—500 Kiewit Plaza, Omaha. Underwriter—First Nebraska Securities Corp., Lincoln.

**New Campbell Island Mines Ltd.**
Oct. 13, 1961 filed 475,000 common, of which 400,000 are to be offered by the company and 75,000 by a stockholder. Price—50c. Business—Exploration, development and mining. Proceeds—General corporate purposes. Office—90 Industry St., Toronto, Canada. Underwriter—A. C. MacPherson & Co., Toronto.

**New York Testing Laboratories, Inc.**
Jan. 29, 1962 filed 50,000 common. Price—$5. Business—Analyzing and testing of electronic, chemical and other materials. Proceeds—For plant relocation, equipment, and working capital. Office—47 West St., N. Y. Underwriter—Robbins, Clark & Co., Inc., N. Y.

**Norda Essential Oil & Chemical Co., Inc.**
March 20, 1962 filed 200,000 class A shares. Price—By amendment (max. $15). Business—Manufacture, processing and distribution of natural and synthetic essential oils, flavor, essences, etc., to food and drug industries. Proceeds — For debt repayment, working capital and other corporate purposes. Office—601 W. 26th St., N. Y. Underwriter—S. D. Fuller & Co., N. Y. Offering—Expected in late October.

**Nordon Corp., Ltd.**
March 29, 1962 filed 375,000 capital shares, of which 100,000 are to be offered by company and 275,000 by stockholders. Price—By amendment (max. $6). Business—Acquisition and development of oil and natural gas properties. Proceeds—For drilling expenses and working capital. Office — 5455 Wilshire Blvd., Los Angeles. Underwriter—Gregory-Massari, Inc., Beverly Hills, Calif.

**Nortex Oil & Gas Corp.**
April 27, 1962 filed $5,000,000 of 6% conv. subord debentures due 1977. Price—By amendment. Business—Production of crude oil and natural gas. Proceeds—For debt repayment, working capital and other corporate purposes. Office—1900 Life Bldg., Dallas. Underwriter—Carreau & Co., N. Y.

**North Atlantic Life Insurance Co. of America**
Aug. 31, 1962 filed 600,000 common to be offered for subscription by stockholders on the basis of two new shares for each common share held of record Aug. 27, 1962. Price—$3.50. Business—Writing of life, accident and health insurance. Proceeds—For capital funds. Office—163 Mineola Blvd., Mineola, L. I., N. Y. Underwriter—None.

**Northwest Securities Investors, Inc.**
June 25, 1962 ("Reg. A") 80,000 common. Price—$3.75. Business—Acquisition of second-trust notes secured by real estate property. Proceeds—For general corporate purposes. Office—922 You St., N. W., Washington, D. C. Underwriter—Clarence E. Shaw & Co., Washington, D.C.

**Nuclear Science & Engineering Corp.**
March 29, 1962 filed 100,000 common. Price—By amendment (max. $15). Business—Research and development on contracts using radioactive tracers; precision radioactivity measurement; production of radioactive isotopes and the furnishing of consulting and radiation measurement services. Proceeds—For equipment, debt repayment, expansion and working capital. Address—P. O. Box 10901, Pittsburgh. Underwriter—Johnston, Lemon & Co., Washington, D. C.

**Nuveen Tax-Exempt Bond Fund, Series 3**
Oct. 17, 1961 filed $15,300,000 of units representing fractional interests in the Fund. Price — By amendment. Business—The Fund will invest in interest bearing obligations of states, counties and municipalities of the U. S., and political subdivisions thereof which are believed to be exempted from Federal income taxes. Proceeds—For investment. Office—Chicago, Ill. Sponsor—John Nuveen & Co., 135 So. La Salle St., Chicago.

**Nuveen Tax-Exempt Bond Fund, Series 4**
Oct. 17, 1961 filed $15,000,000 of units representing fractional interests in the Fund. Price—By amendment. Business—The Fund will invest in interest-bearing obligations of states, counties, and municipalities of the U.S., and political subdivisions thereof which are believed to be exempted from Federal Income taxes. Proceeds—For investment. Office—Chicago, Ill. Sponsor—John Nuveen & Co., 135 So. La Salle St., Chicago.

**Optec, Inc. (11/19-23)**
Dec. 26, 1961 filed 160,000 common. Price—$3. Business—Research, development and fabrication of materials used in optical electronics. Proceeds—For equipment and working capital. Office—246 Main St., Chatham, N. J. Underwriters—Stone, Ackerman & Co., Inc., and Heritage Equity Corp., N. Y.

**• Orbit Stores, Inc. (10/8-11)**
May 28, 1962 filed 100,000 common. Price—By amendment (max. $6). Business—Operation of two discount type department stores. Proceeds—For equipment, inventory, expansion and working capital. Office—725 William T. Morrissey Blvd., Boston. Underwriter—Norton, Fox & Co., Inc., N. Y.

**Orr (J. Herbert) Enterprises, Inc.**
May 1, 1962 filed 285,000 common. Price—$10.50. Business—Company's subsidiaries manufacture cartridge tape recorders and programs therefor and men's and boys' dress trousers. Proceeds—For debt repayment, advertising and working capital. Address—Opelika, Ala. Underwriter—None.

**Outlet Mining Co., Inc.**
Feb. 28, 1962 filed 900,000 common. Price—$1. Business—Mining. Proceeds—For equipment and working capital. Address—Creede, Colo. Underwriter—None.

**Pak-Well Paper Industries, Inc. (10/22-26)**
March 30, 1962 filed 150,000 class A common. Price—By amendment (max. $13). Business—Manufacture of envelopes, packaging materials of various kinds, wrapping paper, stationery, and school supplies. Proceeds—For selling stockholders. Office—198 W. Alameda, Denver. Underwriter—Francis I. du Pont & Co., N. Y.

**Pan American Beryllium Corp.**
Feb. 28, 1962 filed 100,000 common. Price—$5. Business—Company plans to mine for beryl ore in Argentina. Proceeds — For debt repayment, equipment, and other corporate purposes. Office—39 Broadway, N. Y. Underwriter—To be named.

**PanAm Realty & Development Corp.**
March 12, 1962 filed 400,000 class A stock. Price—$10. Business—A real estate holding and development company. Proceeds—For general corporate purposes. Office—70 N. Main St., Freeport, L. I., N. Y. Underwriter—To be named.

**Parkway Laboratories, Inc.**
Dec. 6, 1961 filed 160,000 common. Price—$5. Business—Manufacture of drugs and pharmaceuticals. Proceeds—For an acquisition, research and other corporate purposes. Office — 2301 Pennsylvania Ave., Philadelphia. Underwriter—Arnold Malkan & Co., Inc., N. Y.

**Paul, Harris Stores, Inc.**
April 2, 1962 ("Reg. A") 26,000 class A common. Price—$7.50. Business—Operation of wearing apparel stores. Proceeds—For equipment and working capital. Office—2920 N. Tibbs, Indianapolis. Underwriters—Kiser, Cohn & Shumaker, Indianapolis and Cruttenden, Podesta & Miller, Chicago. Offering—Indefinitely postponed.

**Peerless Radio Corp.**
March 22, 1962 filed 120,000 common, of which 100,000 are to be offered by the company and 20,000 by stockholders. Price — $4. Business — Distribution of electric parts and components to industrial customers. Proceeds—For debt repayment, inventory and working capital. Office—19 Wilbur St., Lynbrook, N. Y. Underwriter—Kordan & Co., Inc., N. Y.

**Pellegrino Aggregate Technico, Inc.**
Aug. 10, 1961 filed 130,000 class A common shares. Price—$5. Business—The manufacture of building materials. Proceeds—For payment of income taxes and loans and for working capital. Office—Woodbridge-Carteret Road, Port Reading, N. J. Underwriter—Mortimer B. Burnside & Co., Inc., N. Y. Offering—Temporarily postponed.

**Perma-Bilt Enterprises, Inc.**
May 28, 1962 filed 230,000 common. Price—By amendment (max. $8). Business—Merchandising, sale and construction of homes. Proceeds—For acquisition and development of land, and other corporate purposes. Office—319 MacArthur Blvd., San Leandro, Calif. Underwriter—Robert A. Martin Associates, Inc., N. Y. Offering—Expected in late Fall.

**Permeator Corp.**
May 18, 1962 filed 300,000 common to be offered for subscription by stockholders of National Petroleum Corp. Ltd., parent, on the basis of one share for each 15 National shares held. Price—$5. Business—Manufacture, use and sale of a patented tool, "Permeator," used in completion of oil and gas wells. Proceeds—For general corporate purposes. Office—445 Park Ave., N. Y. Underwriters—Irving Weis & Co., and Godfrey, Hamilton, Taylor & Co., Inc., N. Y.

**Petro-Capital Corp.**
March 28, 1962 filed 556,700 common. Price—$11. Business—A small business investment company. Proceeds—For general corporate purposes. Office—6130 Sherry Lane, Dallas. Underwriter—McDonnell & Co., New York.

**Pioneer Restaurants, Inc.**
Dec. 21, 1961 filed 125,000 common, of which 75,000 are to be offered by the company and 50,000 by a selling stockholder. Price—By amendment. Business—Operation of six restaurants in Sacramento. Proceeds—For expansion, debt repayment and working capital. Office—1626 J St., Sacramento. Underwriter—Stewart, Eubanks, Myerson & Co., San Francisco. Offering—Temporarily postponed.

**Plantation Chocolate Co. (10/1-5)**
July 20, 1962 ("Reg. A") 75,000 common. Price—$4. Business—Manufacture of confections. Proceeds—For debt repayment. Office—3150 Janney St., Philadelphia. Underwriter—S. Schramm & Co., Inc., N. Y.

**Playboy Clubs International, Inc.**
May 28, 1962 filed 270,000 common. Price—By amendment. (max. $7). Business—Company is engaged in the ownership and franchising of Playboy Clubs. Proceeds—For debt repayment and general corporate purposes. Office—232 E. Ohio St., Chicago. Underwriter—Divine & Fishman, Inc., Chicago.

**Polequity Corp.**
Aug. 29, 1962 ("Reg. A") 60,000 common. Price—$5. Business—Company through its subsidiaries engages in the sale of life, accident and health, and group and disability benefits insurance; trading in over-the-counter market; underwriting of new security issues and sale of mutual funds. Proceeds—For expansion, advertising, and working capital. Office—150 Broadway, N. Y. Underwriter—J. B. Coburn Associates, Inc., N. Y.

**Potomac Real Estate Investment Trust**
July 6, 1962 filed 1,000,000 shares of beneficial interest. Price—By amendment (max. $5). Business—A real estate investment trust. Proceeds—For investment. Office—880 Bonifant St., Silver Spring, Md. Underwriter—None.

**• Poulsen Insurance Co. of America (10/15-19)**
Aug. 27, 1962 filed 100,000 common. Price—By amendment (max. $10). Business—Writing of group and franchise forms of accident, sickness and life insurance in the Midwest. Proceeds—For debt repayment and expansion. Office—Executive Plaza, Park Ridge, Ill. Underwriter—A. C. Allyn & Co., Chicago. Offering—Expected in October. Note—This stock will not be offered for sale in New York State.

**Prescott-Lancaster Corp.**
March 30, 1962 filed 150,000 common. Price—$5. Business—Real estate. Proceeds—For purchase of mortgages, and working capital. Office—18 Lancaster Rd., Union, N. J. Underwriter—Jacey Securities Co., N. Y.

**• Prosperity Cleaners & Laundries, Inc.**
May 15, 1962 filed 100,000 common. Price — By amendment (max. $5.50). Business—Operation of a chain of dry-cleaning and laundry stores. Proceeds—For selling stockholders. Office — 48-12 25th St., Astoria, N. Y. Underwriter—Edwards & Hanly, Hempstead, L. I., N. Y. Offering—Expected in mid-October.

**Publishers Co., Inc.**
Aug. 29, 1962 filed $3,500,000 of 6% subord conv. debentures due 1977 to be offered by the company and 25,000 outstanding common shares to be sold by stockholders. Price—For debentures, par; for stock—by amendment (max. $10). Business—Book publishing. Proceeds—Company will use its proceeds for the purchase of two printing firms; to redeem outstanding 6% notes; for working capital, and other corporate purposes. Office—1106 Connecticut Ave., Washington, D. C. Underwriter—Roth & Co., Inc., Philadelphia.

**Putnam Management Co., Inc. (10/8-12)**
Aug. 22, 1962 filed 150,000 common (non-voting). Price—By amendment (max. $14). Business—An investment adviser and distributor of mutual funds. Proceeds—For selling stockholders. Office—60 Congress St., Boston. Underwriters—Paine, Webber, Jackson & Curtis, Boston, and Kidder, Peabody & Co., Inc., N. Y.

**• R. E. D. M. Corp. (10/22-26)**
June 29, 1962 filed 125,000 common, of which 50,000 will be offered for the company and 75,000 for certain stockholders. Price—By amendment (max. $6). Business—Engaged in manufacturing, engineering and research under Defense Department contracts; also manufactures ball point pens, points, mechanical pencils and desk sets. Proceeds—For equipment and working capital. Office—Little Falls, Passaic County, N. J. Underwriter—Meade & Co., Inc., N. Y.

**RF Interonics, Inc.**
Oct. 30, 1961 filed 40,000 common. Price—$5. Business—Manufacture of radio frequency interference filters and capacitors. Proceeds—For equipment, working capital and other corporate purposes. Office—15 Neil Court, Oceanside, N. Y. Underwriter—Arnold Malkan & Co., N. Y.

**• Real Properties Corp. of America**
April 27, 1962 filed 300,000 class A shares. Price—By amendment (max. $16). Business—Company owns certain real estate, general insurance agency and a mortgage servicing company. Proceeds—For debt repayment. Office — 745 Fifth Ave., N. Y. Underwriter — Stanley Heller & Co., N. Y. Note—This registration will be withdrawn and then refiled.

**Red-O-Lier Corp.**
Aug. 27, 1962 filed 100,000 class A common. Price—$3.25. Business—Distribution of electrical supplies and equipment to commercial and industrial users. Proceeds—To finance additional inventories and accounts receiv-

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ables. **Office**—577 Courtland Ave., N. Y. **Underwriter**—Crosse & Co., Inc., N. Y.

**Regulators, Inc.**
Jan. 29, 1962 filed 75,000 common, of which 50,000 are to be offered by the company and 25,000 by Electronic Specialty Co., parent. **Price**—$5. **Business**—Design and manufacture of regulating and control devices used in the electric and electronic fields. **Proceeds**—For debt repayment and working capital. **Office**—455 W. Main St., Wyckoff, N. J. **Underwriter**—Myron A. Lomasney & Co., N. Y. **Note**—This registration will be withdrawn and then refiled.

**Resin Research Laboratories, Inc.**
Feb. 27, 1962 filed 105,000 common. **Price**—$3.50. **Business** — Operation of a laboratory for contractual research, development and engineering in the chemical field. **Proceeds**—For expansion of facilities, debt repayment and working capital. **Office**—396-406 Adams St., Newark, N. J. **Underwriter**—Keene & Co., Inc., N. Y.

**Richard Gray & Co., Inc.**
June 21, 1962 ("Reg. A") 60,000 common. **Price**—$5. **Business** — A securities broker-dealer. **Proceeds** — For working capital and other corporate purposes. **Office**—237 W. 51st St., N. Y. **Underwriter**—Richard Gray Co., New York.

**Richmond Corp.**
Dec. 21, 1961 filed 142,858 common. **Price**—$7. **Business**—A real estate investment company. **Proceeds**—For debt repayment and general corporate purposes. **Office**—220 K St., N. W., Washington, D. C. **Underwriter**—Hirschel & Co., Silver Spring, Md. **Offering**—Indefinite. **Note**—The SEC has challenged the accuracy and adequacy of this registration statement.

● **Ridgway (L. L.) Enterprises, Inc. (10/8-12)**
June 27, 1962 filed 170,000 common, of which 140,000 are to be offered by company and 30,000 by a stockholder. **Price**—By amendment (max. $10). **Business**—Company furnishes commercial reproductions, manufactures sensitized papers, cloths and films for blueprinting and printing, and sells architectural, engineering and commercial reproduction equipment and supplies. **Proceeds**—For plant expansion, equipment and working capital. **Office**—5711 Hillcroft Ave., Houston. **Underwriters**—Underwood, Neuhaus & Co., Inc. and Rotan, Mosle & Co., Houston.

● **Rimak Electronics, Inc. (10/1-5)**
Aug. 15, 1962 ("Reg. A") $300,000 of 6% subord. convertible notes. **Price**—$5,000 per note. **Business**—A contract manufacturer for the electronics, guided missile and aircraft industries. **Proceeds**—For debt repayment and other corporate purposes. **Office**—10929 Vanowen St., North Hollywood, Calif. **Underwriter**—Thomas Jay, Winston & Co., Inc., Beverly Hills, Calif.

● **Roadcraft Corp. (10/29-11/2)**
Dec. 26, 1961 filed 400,000 common. **Price**—By amendment. **Business**—Design, manufacture and sale of mobile homes and office trailers. **Proceeds**—For general corporate purposes. **Office**—139 W. Walnut Ave., Gardena, Calif. **Underwriter** — Vickers, MacPherson & Warwick, Inc., New York.

**Royaltone Photo Corp.**
Nov. 29, 1961 filed 300,000 common, of which 100,000 are to be offered by the company and 200,000 by stockholders. **Price** — By amendment. **Business** — Develops and prints color, and black and white photographic film. **Proceeds** — For equipment and working capital. **Office**—245 7th Ave., N Y **Underwriter** — Federman, Stonehill & Co., N. Y. **Offering**—Indefinitely postponed.

● **Royalty Stores, Inc.**
May 29, 1962 filed 75,000 common. **Price**—$3.75. **Business**—Operation of discount stores and wholesale distribution of general merchandise. **Proceeds**—For expansion, advertising, and other corporate purposes. **Office**—10 Charles St., Floral Park, N. Y. **Underwriter**—To be named. **Offering**—Indefinitely postponed.

**Ruby Silver Mines, Inc.**
Jan. 2, 1962 ("Reg. A") 2,400,000 common. **Price**—12½ cents. **Business**—Exploration and development of mineral deposits. **Proceeds**—For debt repayment and general corporate purposes. **Address**—Box 1088, Wallace, Idaho. **Underwriter**—Pennaluna & Co., Spokane, Wash.

**Sampson Enterprises, Inc.**
Feb. 28, 1962 filed 450,000 common. **Price** — By amendment (max. $8). **Business**—A holding company for a real estate concern, motor inn, shopping centers, bowling establishments, etc. **Proceeds**—For debt repayment and working capital. **Office**—222 E. Erie St., Milwaukee. **Underwriters** — Straus, Blosser & McDowell, Chicago and Dempsey-Tegeler & Co., Inc., St. Louis. **Offering**—Temporarily postponed.

● **San Diego Gas & Electric Co.**
Aug. 29, 1962 filed 500,000 common being offered for subscription by stockholders on the basis of one new share for each nine held of record Sept. 20. Rights will expire Oct. 10. **Price**—$31. **Proceeds**—For repayment of bank loans, and construction. **Office**—861 Sixth Ave., San Diego. **Underwriter**—Blyth & Co., Inc., N. Y.

**San Francisco Capital Corp.**
April 23, 1962 filed 60,000 common. **Price**—$12.50. **Business**—A small business investment company. **Proceeds**—For investment. **Office**—400 Montgomery St., San Francisco. **Underwriter**—Cantor, Fitzgerald & Co., Inc., Beverly Hills, Calif.

**Saw Mill River Industries, Inc.**
March 29, 1962 filed 100,000 common. **Price**—$5. **Business**—Design, development and manufacture of steel products for home use. **Proceeds**—For working capital. **Office**—1051 Saw Mill River Rd., Yonkers, N. Y. **Underwriter**—Arnold Malkan & Co., Inc., N. Y.

**Schaevitz Engineering**
March 13, 1962 filed 150,000 common, of which 100,000 are to be offered by company and 50,000 by a selling stockholder. **Price**—By amendment (max. $10). **Business**—Design and manufacture of measuring, indicating, recording, testing and controlling devices used in aircraft and missile systems. **Proceeds** — For expansion. **Address** — U. S. Route 130, Pennsauken, N. J. **Underwriter**—Bear, Stearns & Co., N. Y.

● **Schwartz (Sidney) Realty Corp.**
June 13, 1962 filed 500,000 class A shares. **Price**—$10. **Business** — Real Estate investment. **Proceeds** — For acquisitions and working capital. **Office**—560 Fifth Ave., N. Y. **Underwriters**—To be named. **Note**—This registration was withdrawn.

**Scientific Equipment Manufacturing Corp.**
April 30, 1962 filed 83,500 common. **Price**—$6. **Business**—Manufacture of sterilizers, multi-dose jet vaccine injectors, operating lights and other medical equipment. **Proceeds**—For inventories, new products and moving expenses. **Office**—20 North Ave., Larchmont, N. Y. **Underwriters**—Coggeshall & Hicks and Ernest M. Fuller & Co., N. Y.

**Scripps-Howard Broadcasting Co.**
March 20, 1962 filed 375,000 common. **Price**—By amendment (max. $20). **Business**—Company owns and operates TV, radio and FM broadcasting stations. **Proceeds**—For selling stockholders. **Office**—1121 Union Central Bldg., Cincinnati. **Underwriter**—First Boston Corp., N. Y. **Offering**—Indefinitely postponed.

**Seaboard Land Co.**
July 25, 1962 filed 200,000 class A common. **Price**—By amendment (max. $2.50). **Business**—Ownership and development of real estate. **Proceeds**—For working capital. **Office**—912 Thayer Ave., Silver Spring, Md. **Underwriter** — North American Seaboard Securities Corp., (same address).

**Seaboard Life Insurance Co. of America**
June 29, 1962 filed 256,097 common to be offered for subscription by stockholders on 1-for-5 basis. **Price**—By amendment. **Business**—Writing of life, accident and health insurance. **Proceeds**—For purchase of a building, debt repayment, reserves and other corporate purposes. **Office**—1451 N. Bayshore Dr., Miami. **Underwriter**—None.

● **Security Aluminum Corp. (10/15-19)**
Jan. 26, 1962 filed 200,000 common. **Price**—By amendment. **Business**—Manufacture of aluminum sliding windows and doors. **Proceeds**—For equipment, moving expenses and working capital. **Office**—503 E. Pine Ave., Compton, Calif. **Underwriter**—Vickers, MacPherson & Warwick, Inc., N. Y.

**Security International Corp.**
July 27, 1962 filed 548,000 common. **Price**—$2.50. **Business**—Company plans to become a holding company for a life insurance concern. **Proceeds**—For capitalization of subsidiary. **Office**—127 W. Main Ave., West Fargo, N. D. **Underwriter**—Investment Brokerage Corp., Fargo, N. D.

**Selective Financial Corp.**
Feb. 28, 1962 filed 500,000 common, of which 405,000 are to be offered for subscription by holders of the A, B and C stock of Selective Life Insurance Co., an affiliate, on the basis of 4 company shares for each class A or B share and two-thirds share for each class C share of Selective Life held. Remaining 94,822 and any unsubscribed shares will be offered publicly. **Price**—To public, $6; to stockholders, $5. **Business**—Company plans to engage in the consumer finance, mortgage, general finance and related businesses. **Proceeds** — For general corporate purposes. **Office**—830 N. Central Ave., Phoenix. **Underwriter**—None.

**Sentinel Life Insurance Co.**
Sept. 10, 1962 filed 250,000 capital shares. **Price** — $5. **Business**—Company plans to sell life and disability insurance. **Proceeds**—For organizational expenses and other corporate purposes. **Office**—225 Bush St., San Francisco, Calif. **Underwriter**—None.

**Sentinel Properties Corp.**
May 1, 1962 filed 200,000 class A common. **Price**—$10. **Business**—Real estate investment. **Proceeds**—For construction of a building. **Office**—565 Fifth Ave., N. Y. **Underwriter**—None.

**Servotronics, Inc. (10/8)**
March 30, 1962 filed 125,000 capital shares. **Price** — $3. **Business**—Design, development and manufacture of precision control components and associated products. **Proceeds** — For debt repayment, equipment and working capital. **Office** — 190 Gruner Rd., Cheektowaga, N. Y. **Underwriter**—General Securities Co., Inc., N. Y.

**Shainberg (Sam) Co.**
March 30, 1962 filed 236,000 common. **Price**—By amendment (max. $13). **Business** — Operation of a chain of junior department stores and self-service discount stores. **Proceeds**—For selling stockholders. **Office**—1325 Warford St., Memphis. **Underwriter**—New York Securities Co, 52 Wall St., N. Y.

**Signalite Inc.**
Jan. 29, 1962 filed 126,000 common. **Price**—$4.50. **Business**—Manufacture, sale and development of glow lamps for use as indicators and circuit components. **Proceeds**—For debt repayment, equipment and working capital. **Office**—1933 Heck Ave., Neptune, N. J. **Underwriter**—Milton D. Blauner & Co., N. Y. **Offering**—Postponed.

**Site-Fab, Inc.**
Feb. 27, 1962 filed 135,000 common. **Price** — By amendment (max. $4). **Business**—Construction of homes. **Proceeds** — For debt repayment, acquisition of land and working capital. **Office** — 1093 Frank Rd., Columbus, Ohio. **Underwriter**—H. P. Black & Co., Inc., Washington, D. C. **Offering**—Expected in early Fall

● **Skiers Service Corp.**
Oct. 30, 1961 filed 550,000 common. **Price**—By amendment. **Business**—Distribution of coin-operated insurance vending machines to brokers at sporting centers. **Proceeds**—For inventory, advertising and working capital. **Office**—420 Lexington Ave., N. Y. **Underwriter**—Pacific Coast Securities Co., San Francisco. **Note** — This firm formerly was named National Vending Ski Insurance Corp. **Note**—This registration was withdrawn.

**Smith-Corona Marchant, Inc. (10/5)**
Aug. 31, 1962 filed 240,219 convertible preferred shares (par $50) to be offered for subscription by common stockholders on the basis of one preferred share for each 8 common shares held of record Oct. 5, with rights to expire Oct. 22. **Price**—By amendment. **Business**—Manufacture and distribution of office equipment. **Proceeds**—For debt repayment, a new plant and equipment, product development and other corporate purposes. **Office**—410 Park Ave., New York. **Underwriter**—First Boston Corp., New York.

● **Southeastern Real Estate Trust**
April 2, 1962 filed 700,000 common. **Price**—By amendment (max. $13.80). **Business**—A real estate investment trust. **Proceeds**—For investment. **Office**—600 E. Washington St., Orlando, Fla. **Underwriter**—None. **Note**—This registration was withdrawn.

**Southeastern Towing & Transportation Co., Inc.**
Nov. 29, 1961 ("Reg. A") 100,000 common. **Price**—$3. **Business**—Construction and operation of towing boats. **Proceeds**—For debt repayment, conversion of a boat, and working capital. **Office**—3300 N. W. North River Drive, Miami, Fla. **Underwriter**—Irwin Karp & Co., Inc., 68 William St., N. Y.

● **Spee Dee Service Systems, Inc.**
June 29, 1962 ("Reg. A") 100,000 common. **Price** — $3. **Business**—A messenger and parcel delivery service. **Proceeds** — For general corporate purposes. **Office** — 809 Fourth Ave., Pittsburgh. **Underwriter**—To be named.

**Spencer Chemical Co.**
July 27, 1962 filed 37,777 common shares. **Price**—By amendment (max. $35). **Business**—Production of polyethylene, and the mining of bituminous coal. **Proceeds**—For selling stockholders. **Office**—610 Dwight Bldg., Kansas City, Mo. **Underwriter**—Morgan Stanley & Co., New York.

**Sperti Products, Inc.**
Nov. 29, 1961 filed 230,000 common of which 200,000 are to be offered by the company and 30 000 by stockholders. **Price**—By amendment. **Business**—Manufacture of drug and food products, electrical and electronic devices and precision machinery. **Proceeds**—For the purchase of certain patents, repayment of debt, and working capital. **Office**—730 Grand St., Hoboken, N. J. **Underwriter**—Blair & Co., N. Y. **Offering**—Postponed.

● **Stainless Steel Products, Inc.**
May 28, 1962 filed 100,000 capital shares, of which 75,000 are to be offered by company and 25,000 by stockholders. **Price**—By amendment (max. $10). **Business**—Design, development and manufacture of high pressure, high temperature ducting systems for use in aircraft and missiles. **Proceeds**—For plant expansion, equipment and working capital. **Office**—2980 N. San Fernando Blvd., Burbank, Calif. **Underwriter**—First California Co., Inc., San Francisco.

● **Standard Security Life Insurance Co. of New York**
June 29, 1962 filed 230,000 common. **Price**—By amendment (max. $12). **Business**—Writing of life, accident and health insurance. **Proceeds**—For investment and other corporate purposes. **Office**—111 Fifth Ave., N. Y. **Underwriter**—Ira Haupt & Co., N. Y. **Offering**—In late Oct.

**State Life Insurance Co. of Colorado**
March 27, 1962 filed 300,000 common. **Price**—By amendment (max. $5). **Business**—Writing of life, health and accident insurance. **Proceeds**—For investment and working capital. **Office**—1760 High St., Denver. **Underwriter**—None.

**Sterling Copper Corp.**
Aug. 2, 1962 filed 850,000 common. **Price**—$1. **Business**—Company plans to operate a non-ferrous rod and tube mill. **Proceeds**—For plant and equipment, working capital and other corporate purposes. **Office**—300 Horn Rd., Pinconning, Mich. **Underwriter**—None.

**Stratford Financial Corp.**
March 29, 1962 filed 315,000 class A shares of which 218,000 are to be offered by the company and 97,000 by the stockholders. **Price**—$6. **Business**—Commercial finance company. **Proceeds**—For debt repayment. **Office**—95 Madison Ave., N. Y. **Underwriter**—Mortimer B. Burnside & Co., Inc., N. Y.

**Stratton Realty & Construction Fund, Inc.**
March 20, 1962 filed 500,000 common. **Price**—$20. **Business**—A real estate investment company. **Proceeds**—For investment. **Office**—50 E. 40th St., N. Y. **Underwriter**—To be named.

● **Suburban Water Service Co. (10/3-4)**
June 29, 1962 filed 30,000 preferred or 30,000 common shares. **Price**—By amendment (max. $17). **Business**—A holding company for water supply firms. **Proceeds**—For advances to subsidiaries. **Office**—Clinton, Conn. **Underwriter**—Putnam & Co., Hartford. **Note**—This registration has become effective.

**T-A Development Co.**
Sept. 12, 1962 filed 2,000 common. **Price**—By amendment (max. $1,000). **Business**—Company plans to acquire, develop, and improve industrial real properties, primarily in Los Angeles County. **Proceeds**—For general corporate purposes. **Office**—9601 Wilshire Blvd., Beverly Hills, Calif. **Underwriter**—None.

**Tabach Industries, Inc. (10/29-31)**
March 29, 1962 ("Reg. A") 125,000 common. **Price**—$2. **Business**—Manufacture and sale of women's wear. **Proceeds**—For debt repayment, leasehold improvements and

expansion. **Office**—217 E. Eight St., Los Angeles, Calif. **Underwriter** — Costello, Russotto & Co., 9301 Wilshire Blvd., Beverly Hills, Calif.

**Tactair Fluid Controls, Corp.**
March 29, 1962 filed 90,000 common. **Price**—By amendment (max. $7.50). **Business**—Manufacture of fluid control equipment used in missiles, helicopters and aircraft. **Proceeds**—For selling stockholders **Address**—Bridgeport, Conn. **Underwriters**—Stroud & Co., Inc. and Penington, Colket & Co., Philadelphia.

**Teaching Systems, Inc.**
June 1, 1962 ("Reg. A") 50,000 common. **Price**—$2. **Business**—Production and sale of educational audio-visual teaching aids. **Proceeds**—For equipment, promotion and advertising and working capital. **Office**—1650 Broadway, N. Y. **Underwriter**—Creative Ventures Corp., 733 Third Ave., N. Y.

● **Texas Gas Producing Co. (10/9)**
Aug. 28, 1962 filed $1,000,000 of 5¾% subord. conv. debentures due 1974 and warrants to purchase 30,000 common shares to be offered for sale in units consisting of one $100 debenture and three warrants. **Price**—$100 per unit. **Business**—Production of crude oil and natural gas. **Proceeds** — For debt repayment, expansion and working capital. **Office**—721 Meadows Bldg., Dallas. **Underwriter** — Equitable Securities Corp., Nashville, Tenn.

**Texas Plastics, Inc.**
July 27, 1962 filed 313,108 common. **Price**—$3.50. **Business**—Operation of a plant producing plastic film and packaging products. **Proceeds**—For working capital. **Address**—Elsa, Texas. **Underwriter**—Crow, Brourman & Chatkin, Inc., N. Y.

**Top Dollar Stores, Inc.**
May 1, 1962 filed 200,000 common, of which 100,000 are to be offered by company and 100,000 by stockholders. **Price**—$5. **Business**—Operation of a chain of self-service retail stores selling clothing, housewares, etc. **Proceeds**—For expansion, equipment and working capital. **Office**—2220 Florida Ave., Jasper, Ala. **Underwriter**—Philips, Appel & Walden, 115 Broadway, N. Y.

**Tourist Industry Development Corp. Ltd.**
Aug. 3, 1962 filed $5,000,000 of 7% senior debenture stock due 1962. **Price**—At par. **Business**—Company was organized by the State of Israel to furnish financing to tourist enterprises. **Proceeds**—For general corporae purposes. **Address**—Jerusalem, Israel. **Underwriter**—American-Israel Basic Economy Corp., N. Y.

**Towers Marts International, Inc.**
Feb. 1, 1962 filed 550,000 capital shares. **Price** — By amendment. **Business** — Company builds and operates retail discount department stores. **Proceeds**—For expansion. **Office**—41 E. 42nd St., N. Y. **Underwriter**—W. C. Langley & Co., N. Y.

**Traileurop, Inc.**
Aug. 30, 1962 filed 150,000 common. **Price**—$5. **Business**—A holding company for European firms engaged in leasing semi-trailers. **Proceeds**—For equipment, debt repayment and working capital. **Office**—99 Wall St., N. Y. **Underwriter**—Kordan & Co., Inc., N. Y.

**Trans-Western Service Industries**
April 2, 1962 filed 100,000 common, of which 20,000 are to be offered by company and 80,000 by stockholders. **Price**—By amendment (max. $10). **Business**—Operation of dry cleaning and laundry plants. **Proceeds**—For debt repayment. **Office**—1167-65th St., Oakland, Calif. **Underwriter**—Granbery, Marache & Co., N. Y.

**Transarizona Resources, Inc.**
May 28, 1962 filed 500,000 capital shares. **Price**—$1.50. **Business**—Exploration, development and production of the Lake Shore copper deposit near Casa Grande, Ariz. **Proceeds**—For equipment, exploration and working capital. **Office**—201 E. 4th St., Casa Grande, Ariz. **Underwriter**—None.

● **Tremco Manufacturing Co.**
Feb. 26, 1962 filed 150,000 class A common. **Price**—By amendment (max. $15). **Business**—Producer of protective coatings, sealants, mastics, paints, etc. **Proceeds** — For selling stockholders. **Office**—10701 Shaker Blvd., Cleveland. **Underwriter**—McDonald & Co., Cleveland. **Note**—This registration was withdrawn.

**Tujax Industries, Inc.**
Mar. 23, 1962 filed 150,000 class A shares, of which 100,000 are to be offered by company and 50,000 by stockholders. **Price**—$8. **Business**—Through its subsidiaries the company is engaged in the wholesale distribution of electrical supplies and equipment. **Proceeds** — For debt repayment and working capital. **Office**—514 E. 73rd St., N. Y. **Underwriters**—Richard Bruce & Co., Inc., and Reuben Rose & Co., Inc., N. Y.

**Turbodyne Corp.**
March 2, 1962 filed 127,500 common. **Price**—$5. **Business**—Research, development and production and overhauling of gas turbine engines. **Proceeds**—For debt repayment, research and development, a new plant and working capital. **Office** — 1346 Connecticut Avenue, N. W., Washington, D. C. **Underwriter**—Sandkuhl & Co., Inc., N. Y.

**U-Tote'm of West Florida, Inc.**
Aug. 13, 1962 ("Reg. A") 50,000 common. **Price**—$4. **Business**—Sale of groceries, drugs and general merchandise. **Proceeds**—For expansion, inventories and working capital. **Office**—4609 Bee Ridge Rd., Sarasota, Fla. **Underwriter**—Givens & Co., Inc., Miami. **Note**—This letter will be withdrawn.

**United Markets Inc.**
March 15, 1962 filed $400,000 of 8% conv. subord. debentures due 1972 and 20,000 common to be offered in units of one $200 debenture and 10 shares. **Price**—$250 per unit. **Business**—Operation of "Foodtown" supermarkets. **Proceeds**—For general corporate purposes. **Office**—531 Ferry St., Newark, N. J. **Underwriter** — Moran & Co., Newark, N. J. **Offering**—Expected in late October.

**United National Insurance Co.**
May 29, 1962 filed 77,000 common. **Price**—$15. **Business**—Sale of automobile insurance, and the writing of fire and extended coverage insurance. **Proceeds**—For expansion. **Office**—225 S. 15th St., Philadelphia. **Underwriter**—Suplee, Yeatman, Mosley Co., Inc., Philadelphia.

**United-Overton Corp.**
Mar. 26, 1962 filed 450,000 common, of which 90,897 are to be offered by the company and 359,103 by stockholders. **Price**—By amendment (max. $18). **Business**—Operates hard goods' departments in discount department stores. **Proceeds**—For debt repayment. **Office**—19 Needham St., Nugent Highlands, Mass. **Underwriters**—McDonnell & Co., Inc., and Oppenheimer & Co., N. Y.

**U. S. Cold Storage of Hawaii, Inc.**
Sept. 14, 1962 filed 30,000 capital shares, of which 20,000 are to be offered by company and 10,000 by present stockholders. **Price**—$10. **Business**—Company plans to construct and operate cold storage facilities in Hawaii. **Proceeds**—For construction, and working capital. **Office**—3140 Ualena St., Honolulu. **Underwriter**—None.

● **United Telephone Services, Inc.**
March 30, 1962 filed 150,000 class A common. **Price**—By amendment (max. $5). **Business**—A telephone holding company. **Proceeds**—For debt repayment, equipment and working capital. **Office**—645 First Ave., N. Y. **Underwriter**—J. R. Williston & Beane, N. Y. **Note**—This registration was withdrawn.

**United Variable Annuities Fund, Inc.**
April 11, 1961 filed 2,500,000 shares of stock. **Price**—$10 per share. **Business**—A new mutual fund. **Proceeds**—For investment. **Office**—20 W. 9th Street, Kansas City, Mo. **Underwriter**—Waddell & Reed, Inc., Kansas City, Mo.

**Universal Capital Corp.**
Aug. 28, 1962 filed 1,500,000 common. **Price**—$1. **Business**—Company plans to establish or acquire control of other companies, principally those in life insurance field. **Proceeds**—For general corporate purposes. **Office**—318 N. St. Paul St., Dallas. **Underwriter**—None.

**Urban America Real Estate Trust**
Aug. 2, 1962 filed 400,000 shares of beneficial interest. **Price**—$6. **Business**—A real estate investment trust. **Proceeds**—For debt repayment and investment. **Office**—510 Fleming Bldg., Des Moines. **Underwriter**—Conway Brothers, Inc., Des Moines.

**Urban Redevelopment Corp.**
March 29, 1962 filed 100,000 common. **Price**—By amendment. **Business**—Company operates the "Kellogg Plan" which provides 100% financing and construction through a single source for renewing older residential properties. **Proceeds**—For debt repayment, sales financing and working capital. **Office** — 1959 S. LaCienega Blvd., Los Angeles. **Underwriter**—R. J. Henderson & Co., Los Angeles.

**Urethane of Texas, Inc.**
Feb. 14. 1962 filed 250,000 class A and 250,000 common to be offered in units of one share of each class. **Price**—$5.05 per unit. **Business**—Manufacture of urethane foams. **Proceeds**—For equipment, working capital, leasehold expenses and other corporate purposes. **Office**—2300 Republic National Bank Bldg., Dallas. **Underwriter** — First Nebraska Securities Corp., Lincoln, Neb. **Offering**—Temporarily postponed.

**Valu-Rack, Inc.**
May 4, 1962 filed 200,000 common, of which 100,000 are to be offered by company and 100,000 by stockholders. **Price** — $5. **Business** — Wholesale distribution and retail merchandising of health and beauty aids, housewares, kitchenwares, wearing apparel and other goods. **Proceeds**—For debt repayment. **Office**—2925 S. San Pedro St., Los Angeles. **Underwriter**—To be named.

**Vendex, Inc.**
Jan. 12, 1962 ("Reg. A") 300,000 common. **Price** — $1. **Business**—Manufacture of coin operated vending machines. **Proceeds**—For an acquisition and general corporate purposes. **Office**—1290 Bayshore Blvd., Burlingame, Calif. **Underwriter**—Pacific Coast Securities Co., San Francisco.

**Vending Components, Inc.**
March 30, 1962 filed 100,000 common. **Price**—$4. **Business** — Manufacture, design and sale of metal valves, mixers, taps, etc., for vending machines. **Proceeds**—For expansion, new products and other corporate purposes. **Office**—204 Railroad Ave., Hackensack, N. J. **Underwriter**—Keene & Co., Inc., N. Y.

**Video Color Corp.**
April 6, 1962 filed 1,000,000 common. **Price**—$1.15. **Business**—Development, manufacture and distribution of picture tubes. **Proceeds**—For equipment, inventories and working capital. **Office**—729 Centinela Blvd., Inglewood, Calif. **Underwriter**—Naftalin & Co., Inc., Minneapolis.

● **Voron Electronics Corp.**
July 28, 1961 filed 100,000 class A shares. **Price** — $3. **Business**—The manufacture of electronic test equipment, the sale, installation and servicing of industrial and commercial communications equipment and the furnishing of background music. **Proceeds**—For tooling, production, engineering, inventory and sales promotion of its products and for working capital. **Office** — 1230 E. Mermaid Lane, Wyndmoor, Pa. **Underwriters** — John Joshua & Co., Inc., and Reuben Rose & Co., Inc., N. Y. **Note**—This registration was withdrawn.

**Wallace Investments, Inc.**
Feb. 12, 1962 filed 400,000 common. **Price**—By amendment (max. $22). **Business**—Company makes short-term real estate loans, acquires, develops and sells land, and engages in the mortgage loan correspondent business. **Proceeds**—For selling stockholders. **Office**—1111 Hartford Bldg., Dallas. **Underwriter**—Harriman Ripley & Co., N. Y. **Note**—This registration is being withdrawn.

● **Walston Aviation, Inc.**
Oct. 30, 1961 filed 90,000 common, of which 60,000 are to be offered by the company and 30,000 by a stockholder. **Price**—$6.25. **Business**—Sells Cessna Airplanes and supplies; also repairs and services various type airplanes. **Proceeds** — For expansion and general corporate purposes. **Office**—Civic Memorial Airport, E. Alton, Ill. **Underwriter**—White & Co., Inc., St. Louis. **Offering**—Imminent.

**Waterman Steamship Corp.**
Aug. 29, 1961 filed 1,743,000 common. **Price**—By amendment. **Business**—The carrying of liner-type cargoes. **Proceeds**—For the purchase of vessels, and working capital. **Office**—71 Saint Joseph St., Mobile, Ala. **Underwriter**—Shields & Co., Inc., N. Y. (mgr.). **Offering**—Temporarily postponed.

**Welcome Baby, Inc.**
Dec. 28, 1961 filed 75,000 common. **Price**—$2. **Business**—Company renders direct mail public relations, sales promotion and advertising services to mothers on behalf of retail stores. **Proceeds**—For debt repayment and general corporate purposes. **Office**—210-07 48th Ave., Bayside, N. Y. **Underwriter**—First Philadelphia Corp., N. Y.

**Western Lithographers, Inc.**
March 30, 1962 ("Reg. A") 120,000 common. **Price**—$2.50. **Business**—General printing and lithography. **Proceeds**—For equipment, debt repayment, and inventory. **Office**—3407 N. El Paso, Colorado Springs, Colo. **Underwriter**—Copley & Co., Colorado Springs, Colo.

**Western Pioneer Co.**
Feb. 19, 1962 filed 371,750 capital shares of which 175,000 are to be offered by the company and 196,750 by stockholders. **Price**—By amendment (max. $42). **Business**—The making of loans secured by first liens on real estate. **Proceeds**—For debt repayment. **Office** — 3243 Wilshire Blvd., Los Angeles. **Underwriter** — Kidder, Peabody & Co., N. Y.

**Western States Real Investment Trust**
Nov. 13, 1961 filed 32,000 shares of beneficial interest. **Price** — $6.25. **Business** — A small business investment company. **Proceeds** — For investment. **Office** — 403 Ursula St., Auroca, Colo. **Underwriter**—Westco Corp., Aurora, Colo.

**Wheeler & Ryan, Inc.**
July 30, 1962 filed 80,000 common. **Price**—$12.50. **Business**—Acquisition of leases and production of oil and gas. **Proceeds** — For repayment of debt and other corporate purposes. **Office**—Thompson Bldg., Tulsa. **Underwriter**—R. J. Edwards, Inc., Oklahoma City.

**White Photo Offset, Inc.**
July 13, 1962 filed 100,000 common. **Price**—$3.50. **Business**—Photo-offset printing. **Proceeds** — For debt repayment, equipment and working capital. **Office**—142 W. 26th St., N. Y. **Underwriter** — K-Pac Securities Corp., New York. **Offering**—Expected sometime in November.

**Widman (L. F.), Inc.**
Oct. 27, 1961 filed 162,000 common, of which 102,000 are to be offered by the company and 60,000 by stockholders. **Price**—$3. **Business**—Operates a chain of retail drug stores. **Proceeds**—Expansion, equipment and working capital. **Office**—738 Bellefonte Ave., Lock Haven, Pa. **Underwriter**—Godfrey, Hamilton, Taylor & Co., N. Y.

**Wiegand (Edwin L.) Co.**
March 30, 1962 filed 606,450 common. **Price**—By amendment. **Business**—Manufacture of electrical heating elements for industrial, commercial and household applications. **Proceeds**—For selling stockholders. **Office**—7500 Thomas Blvd., Pittsburgh. **Underwriters**—Eastman Dillon, Union Securities & Co., N. Y., Moore, Leonard & Lynch, Pittsburgh and Reinholdt & Gardner, St. Louis. **Offering**—Temporarily postponed.

**Wiener Shoes Inc.**
April 2, 1962 filed 80,000 common. **Price** — By amendment (max. $11). **Business**—Operation of a chain of shoe stores. **Proceeds**—For debt repayment, expansion and working capital. **Office** — 808 Dakin St., New Orleans. **Underwriter** — Howard, Weil, Labouisse, Friedrichs & Co., New Orleans.

**Winslow Electronics, Inc.**
Dec. 28, 1961 filed 125,000 common. **Price**—$4. **Business**—Design and manufacture of precision electrical and electronic measuring devices and test equipment. **Proceeds**—For debt repayment and other corporate purposes. **Office**—1005 First Ave., Asbury Park, N. J. **Underwriter**—Amos Treat & Co., Inc., N. Y.

**Wolf Corp.**
Jan. 26, 1962 filed $4,500,000 of 6.5% convertible subordinated debentures due 1977 (with attached warrants) to be offered for subscription by stockholders of class A stock on the basis of $500 debentures for each 100 class A shares held. **Price**—$500 per unit. **Business**—Real estate. **Proceeds**—For debt repayment and realty acquisitions. **Office**—10 E. 40th St., N. Y. **Underwriter**—S. E. Securities, Inc., 10 East 40th Street, New York. **Note**—This registration will be withdrawn.

● **Wolverine Aluminum Corp.**
March 5, 1962 filed 100,000 common. **Price** — By amendment (max. $6.50). **Business**—Processing and manufacturing of aluminum building products. **Proceeds**—For a new building and equipment. **Office**—1650 Howard St., Lincoln Park, Mich. **Underwriter**—F. J. Winckler & Co., Detroit. **Note**—This registration was withdrawn.

**Work Wear Corp.**
Mar. 26, 1962 filed 130,000 common. **Price**—By amendment (max. $27). **Business** — Manufacture and sale of work clothing. Company is also engaged in industrial laundering and garment rental. **Proceeds**—For debt re-

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payment, acquisitions and working capital. **Office** — 1768 E. 25th St., Cleveland. **Underwriter**—Hornblower & Weeks, N. Y. **Note**—This registration is being withdrawn.

● **Worth Financial Corp. (10/22-26)**
March 22, 1962 filed $360,000 of 6% convertible debentures (with warrants) and 36,000 common, to be offered in units of one $80 debenture and 8 shares. **Price**—$100 per unit. **Business** — Financing of commercial accounts receivable. **Proceeds**—For general corporate purposes. **Office**—114 E. 40th St., New York. **Underwriter**—Leib, Skloot & Co., Inc., Clifton, N. J.

● **Zero Mountain, Inc. (10/30)**
March 30, 1962 ("Reg. A") 100,000 common. **Price**—$3. **Business**—Operation of underground cold storage facilities. **Proceeds**—Expansion, debt repayment and working capital. **Address**—Box 594, Fayetteville, Ark. **Underwriter**—Don D. Anderson & Co., Inc., Oklahoma City.

# Issues Filed With SEC This Week

★ **American Sentinel Life Insurance Co.**
Sept. 14, 1962 ("Reg. A") 37,500 common shares to be offered for subscription by stockholders on a pro-rata basis. **Price**—$6. **Business**—Writing of ordinary life insurance. **Proceeds**—For operating expenses, and investment. **Office**—1200 Main St., Columbus, S. C. **Underwriter**—None.

★ **Birtcher Corp.**
Sept. 21, 1962 filed 288,476 capital shares to be offered for subscription by stockholders on the basis of one new share for each three held. **Price**—By amendment (max. $5). **Business**—Manufacture of electrotherapeutic, electronic surgical, diagnostic and monitoring equipment. **Proceeds**—For debt repayment, machinery and working capital. **Office**—4371 Valley Blvd., Los Angeles. **Underwriter**—None.

★ **Coastal Chemical Corp.**
Sept. 24, 1962 filed 40,000 class A, 39,239 outstanding class C, and 20,000 class D shares. **Price**—$35. **Business** —Manufacture of anhydrous ammonia and other fertilizer materials and components. **Proceeds**—For working capital. Mississippi Chemical Corp., parent, will receive the proceeds from the sale of the class C stock. **Address** —Yazoo City, Miss. **Underwriter**—Mississippi Chemical Corp., Yazoo City, Miss., will act as underwriter for the stock.

★ **Collins Radio Co.**
Sept. 21, 1962 filed 557,515 common shares to be offered for subscription by common stockholders on the basis of one new share for each four held. **Price**—By amendment (max. $26). **Business**—Design, development and manufacture of specialized radio communication equipment and aircraft and flight control devices. **Proceeds** —To reduce bank loans. **Office**—5225 "C" Ave., N. E., Cedar Rapids, Iowa. **Underwriters**—Kidder, Peabody & Co., Inc., and White, Weld & Co., Inc., N. Y.

★ **Colorado Imperial Mining Co.**
Sept. 20, 1962 filed 200,000 common. **Price**—$1. **Business**—General mining. **Proceeds**—For exploration and operating expenses. **Office**—Creede, Colo. **Underwriter** —None.

★ **Columbia Gas System, Inc. (11/1)**
Sept. 24, 1962 filed $30,000,000 of debentures due 1987. **Proceeds**—For construction programs of subsidiaries. **Office**—120 E. 41st St., N. Y. **Underwriters**—(Competitive). Probable bidders: Merrill Lynch, Pierce, Fenner & Smith Inc.-White, Weld & Co. (jointly); Morgan Stanley & Co.-First Boston Corp. (jointly); Halsey, Stuart & Co. Inc. **Bids**—Expected Nov. 1.

★ **Duro-Test Corp.**
Sept. 19, 1962 filed $3,500,000 of subord. debentures (series A), due 1982, and 15-year warrants to purchase 210,000 common shares, to be offered in units consisting of $1,000 of debentures and an attached warrant to purchase 60 shares. **Price**—By amendment. **Business**—Manufacture of incandescent, fluorescent and mercury vapor lamps. **Proceeds**—For working capital. **Office**—2321 Hudson Blvd., North Bergen, N. J. **Underwriter**—Auchincloss, Parker & Redpath, 2 Broadway, N. Y.

★ **Hunter Engineering Co.**
Sept. 26, 1962 filed 100,000 shares of convertible preferred (par $25) and 100,000 of common to be offered in units of one preferred and one common share. **Price**—By amendment. **Business**—Production of aluminum mill products and the building of rolling mill machinery and continuous casting equipment for the non-ferrous metals industry. **Proceeds**—For debt repayment, and construction of a new mill. **Address** — Riverside, Calif. **Underwriter**—Eastman Dillon, Union Securities & Co., N. Y.

★ **Industrial Development Bank of Israel Ltd.**
Sept. 21, 1962 filed 1,000,000 of 6% preference CC shares and 1,500 ordinary CC shares. The AA shares may be purchased only as a part of a unit consisting of one AA share and 345 shares. The CC shares may be purchased as part of a unit or separately. **Price**—For units, by amendment; for CC shares, $10.50 per share. **Business** —The bank was organized in 1957 to encourage the establishment of industrial undertakings in Israel. **Proceeds**—For general corporate purposes. **Address**—Tel-Aviv, Israel. **Underwriter**—Brager & Co., N. Y.

★ **Jersey Central Power & Light Co. (11/14)**
Sept. 20, 1962 filed $11,000,000 of first mortgage bonds, due Nov. 1, 1992. **Proceeds**—For construction. **Office**—Madison Ave. at Punch Bowl Rd., Morristown, N. J. **Underwriters**—(Competitive). Probable bidders: First Boston Corp.; Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.-Salomon Brothers & Hutzler-Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly); Kidder, Peabody & Co.; White, Weld & Co. **Bids**—Nov. 14, 1962 (11 a.m. EST) at 80 Pine St., N. Y. **Information Meeting**—Nov. 9 (10 a.m.EST) at same address.

★ **(J. D.) Jewell, Inc.**
Sept. 21, 1962 filed 60,000 common. **Price**—$9. **Business** —Raising, preparation and distribution of poultry and processed frozen specialty foods. **Proceeds**—For debt repayment, additional equipment, and working capital. **Office**—322 Maple St., S. W., Gainsville, Ga. **Underwriters**—Crow, Brourman & Chatkin, Inc., and Pistell, Inc., N. Y.

★ **Packaging Corp. of America**
Sept. 26, 1962 filed $25,000,000 of sinking fund debentures due 1987. **Price**—By amendment. **Business**—Manufacture of corrugated and solid fibre containers, folding cartons, paperboard mill products and molded pulp and plastic products. **Proceeds** — For debt repayment, redemption of preferred and other corporate purposes. **Office**—1632 Chicago Ave., Evanston, Ill. **Underwriter**—Blyth & Co., Inc., New York.

★ **Panhandle Eastern Pipe Line Co. (10/24)**
Sept. 21, 1962 filed $60,000,000 of debentures due 1982. **Price**—By amendment. **Business**—Production, transmission and sale of natural gas. **Proceeds**—For repayment of bank loans. **Office**—One Chase Manhattan Plaza, N. Y. **Underwriters**—Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Smith Inc., and Halsey, Stuart & Co. Inc.

★ **Panhandle Eastern Pipe Line Co. (10/24)**
Sept. 21, 1962 filed 200,000 shares of cum. preferred (par $100). **Price**—By amendment. **Business**—Production, transmission and sale of natural gas. **Proceeds**—For repayment of bank loans. **Office**—One Chase Manhattan Bank, N. Y. **Underwriters**—Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith Inc., N. Y.

★ **Ries, Biologicals, Inc.**
Sept. 10, 1962 ("Reg. A") 5,000 shares to be offered for subscription by stockholders on a pro-rata basis. **Price** —$10. **Business**—Manufacture and distribution of pharmaceuticals. **Proceeds**—For inventory, working capital, sales promotion and clinical testing of a new product. **Office**—1512 S. La Cienga Blvd., Los Angeles. **Underwriter**—None.

★ **Textron Inc.**
Sept. 20, 1962 filed 40,000 common. **Price**—By amendment (max. $27). **Business**—Manufacture of agrochemical, automotive, consumer, defense, industrial and textile products. **Proceeds**—For selling stockholders. **Office**—10 Dorrance St., Providence, R. I. **Underwriter**—Blair & Co., Inc., N. Y.

★ **Wonderland Motel, Inc.**
Sept. 7, 1962 ("Reg. A") 1,000 shares of $6 cum. preferred and 18,000 common. **Price**—For preferred, $100; for common, $5. **Business**—Operation of a motel. **Proceeds**—For construction, debt repayment, and working capital. **Office**—2021 Central Ave., Hot Springs, Ark. **Underwriter**—None.

# Effective Registrations

***The following registration statements were declared effective this week by the SEC. Offering details, where available, will be carried in the Monday issue of the "Chronicle."***

**Ames Department Stores, Inc.**
100,000 class A common shares offered at $3 per share by Meller & Co., New York.

**First Colorado Bankshares, Inc.**
42,000 common shares offered at $13 per share by Bosworth, Sullivan & Co., Inc., Denver.

**Franklin National Bank of Long Island**
200,000 shares of 4.60% cumulative preferred stock offered at $100 per share, plus accrued dividends, by Eastman Dillon, Union Securities & Co., New York. (Issue was exempted from registration with the SEC).

**Gateway Sporting Goods Co.**
$2,000,000 of 5⅝% convertible subordinated debentures due Sept. 1, 1977 offered at par and accrued interest by Stern Brothers & Co., Kansas City, Mo.

**House of Vision, Inc.**
150,000 common shares offered at $14 per share by Hornblower & Weeks, New York.

**Iowa Southern Utilities Co.**
$4,900,000 of 4⅜% first mortgage bonds due Sept. 1, 1992 offered at 100.416% and accrued interest to yield 4.35% by Salomon Brothers & Hutzler and Merrill Lynch, Pierce, Fenner & Smith, Inc., New York.

**Larsen Co.**
103,638 common shares offered at $11.125 per share by Robert W. Baird & Co., Inc., Milwaukee.

**Louis Lesser Enterprises, Inc.**
500,000 class A common shares offered at $10 per share, by Morris Cohon & Co., New York.

**Maust Coal & Coke Corp.**
$5,000,000 of 5¼% sinking fund debentures due 1977 offered at par and accrued interest, and 250,000 common offered at $9.25 a share by Eastman Dillon, Union Securities & Co., New York.

**Papert, Koenig, Lois, Inc.**
100,000 class A shares offered at $6 per share by Andresen & Co., and Oppenheimer & Co., New York.

**Riker Delaware Corp.**
50,000 units (each consisting of four common shares and one warrant) offered at $30 per unit by H. Neuwirth & Co., Inc., New York.

**San Diego Gas & Electric Co.**
500,000 common shares offered for subscription by stockholders at $31 per share on the basis of one new share for each nine shares held of record Sept. 20. Rights will expire Oct. 10. Blyth & Co., Inc., New York, is the principal underwriter.

**Stelber Cycle Corp.**
100,000 common shares offered at $3.25 per share by Lloyd Securities, Inc., New York.

**Stowe-Woodward, Inc.**
237,140 common shares offered at $10 per share by Fulton, Reid & Co., Inc., Cleveland.

**Welsh Panel Co.**
110,000 common shares offered at $7 per share by Robert L. Ferman & Co., New York.

**Wyle Laboratories**
$2,500,000 of 5½% convertible subordinated debentures due 1977 offered at par and accrued interest by Kidder, Peabody & Co., Inc., New York., and Mitchum, Jones & Templeton, Inc., Los Angeles.

**Zayre Corp.**
350,000 common shares offered at $12 per share by Lehman Brothers, New York.



# Prospective Offerings

● **Adley Corp.**
May 17, 1962 the company applied to the ICC for authortiy to issue 75,000 $2 par common shares. **Price**—By amendment (min. $9). **Business** — A motor vehicle common carrier operating in 18 eastern states. **Proceeds** —For working capital. **Office**—New Haven, Conn. **Underwriter** — Eastman Dillon, Union Securities & Co., New York.

**American Telephone & Telegraph Co. (10/23)**
Sept. 19, 1962 it was reported that directors had authorized the sale of $250,000,000 of debentures due Oct. 1, 1996. **Proceeds**—For improvement and expansion of telephone services. **Office**—195 Broadway, New York. **Underwriters** — (Competitive). Probable bidders: Morgan Stanley & Co.; First Boston Corp.-Halsey, Stuart & Co. Inc. (jointly). **Bids**—Expected Oct. 23.

**Be-Mac Transport Co., Inc. (10/2)**
Sept. 17, 1962 it was reported that the ICC had authorized the sale of 50,000 outstanding $1 par common shares. **Price**—By amendment. **Business** — A motor carrier of general commodities providing direct service to over 600 municipalities in six mid-western states. **Proceeds**—For selling stockholders. **Office**—7400 North Broadway, St. Louis. **Underwriter** — Edward D. Jones & Co., St. Louis.

**Belock Instrument Corp.**
Sept. 4, 1962 it was reported that the company plans to raise an additional $1,000,000 by sale of securities. **Business**—Company produces various defense items, such as bomb-sights, gun directors, missile system components, etc. **Proceeds**—For working capital and other corporate purposes. **Office**—112-03 Fourteenth Ave., College Point, N. Y. **Underwriter**—Carl M. Loeb, Rhoades & Co., N. Y.

**Biologics International Inc.**
Aug. 15, 1962 it was reported that this company plans to file a registration statement covering 125,000 common shares. **Price**—$3. **Business**—Company plans to breed and supply animals for biological research purposes. **Proceeds**—For general corporate purposes. **Office** —7520 Bergenline Ave., North Bergen, N. J. **Underwriter**—To be named.

**Central Illinois Public Service Co.**
July 10, 1962 it was reported that this company plans to issue about $10,000,000 of first mortgage bonds in 1963. **Proceeds**—For construction. **Office**—607 E. Adams St., Springfield, Ill. **Underwriters**—(Competitive). Probable bidders: Eastman Dillon, Union Securities & Co.-Equitable Securities Corp. (jointly); Blyth & Co.-Kidder, Peabody & Co.-Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly); Halsey, Stuart & Co. Inc.; Salomon Brothers & Hutzler; First Boston Corp.; Lehman Brothers-Bear, Stearns & Co. (jointly).

**Consumers Power Co.**
Sept. 4, 1962, Robert P. Briggs, Executive Vice-President, announced that the company had postponed until mid-1963 its plan to sell additional securities because of "larger than anticipated internal generation of cash, substantial refunds from natural gas suppliers and the increased use of bank credit." Earlier, the company reported that it expected to sell about $40,000,000 of securities, probably bonds, in the fourth quarter. **Office**—

212 West Michigan Ave., Jackson, Mich. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.-Shields & Co. (jointly); Harriman Ripley & Co. Inc.-First Boston Corp. (jointly); Morgan Stanley & Co.

**Delaware Power & Light Co.**
March 9, 1962 it was reported that the company has postponed until early Spring of 1963 its plan to issue additional common stock. The offering would be made to common stockholders first on the basis of one share for each 10 shares held. Based on the number of shares outstanding on Dec. 31, 1961, the sale would involve about 418,536 shares. **Proceeds**—For construction. **Office**—600 Market St., Wilmington, Del. **Underwriters**—(Competitive). Probable bidders: Carl M. Loeb, Rhoades & Co.; W. C. Langley & Co.-Union Securities Co. (jointly); Lehman Brothers; First Boston Corp.; White, Weld & Co.-Shields & Co. (jointly); Kidder, Peabody & Co.-Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly).

**Florida Power Co.**
March 19, 1962 it was reported that this company plans to offer stockholders the right to subscribe for about 457,265 additional common shares on a 1-for-20 basis. **Office**—101 Fifth St., South, St. Petersburg, Fla. **Underwriters**—To be named. The last rights offering of common on May 4, 1959 was underwritten by Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith Inc., N. Y. **Offering**—Expected in October, 1962.

**Food Fair Properties, Inc.**
May 11, 1962 stockholders authorized the company to issue 756,000 shares of a new convertible preferred stock which will be offered to stockholders through subscription rights on a 1-for-10 basis. **Price**—By amendment. **Business**—Development and operation of shopping centers. **Proceeds**—To retire outstanding 6% preferred stock and purchase up to $6,000,000 convertible debentures of Major Realty Corp., an affiliate. **Office**—223 East Allegheny Ave., Philadelphia. **Underwriter**—To be named. The last rights offering in December 1957 was underwritten by Eastman Dillon, Union Securities & Co., New York.

**Georgia Power Co. (11/7)**
On Jan. 12, 1962 it was reported that this subsidiary of the Southern Co. plans to offer $23,000,000 30-year first mortgage bonds in November. **Office**—270 Peachtree Bldg., Atlanta, Ga. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co., Inc.; Harriman Ripley & Co., Inc.; Blyth & Co., Inc.; Kidder, Peabody & Co.-Shields & Co. (jointly); Equitable Securities Corp.-Eastman Dillon, Union Securities & Co. (jointly); First Boston Corp.; Lehman Brothers; Morgan Stanley & Co. **Bids**—Expected Nov. 7. **Registration**—Scheduled for Oct. 5.

**Georgia Power Co. (11/7)**
On Jan. 12, 1962 it was reported that this subsidiary of the Southern Co. plans to offer $7,000,000 of preferred stock in November. **Office**—270 Peachtree Bldg., Atlanta, Ga. **Underwriters**—(Competitive). Probable bidders: Blyth & Co., Inc.; First Boston Corp.; Morgan Stanley & Co.; Eastman Dillon, Union Securities & Co.-Equitable Securities Corp. (jointly); Lehman Brothers. **Bids**—Expected Nov. 7. **Registration**—Scheduled for Oct. 5.

**Highway Trailer Industries, Inc.**
Sept. 10, 1962 it was reported that this company plans to raise some $2,500,000 by a rights offering to stockholders. Authorized stock now consists of 2,000,000 $1.25 par common shares of which 714,086 shares are outstanding. **Business**—Manufacture of truck trailers, cargo containers, telephone and power line construction equipment, etc. **Proceeds**—To help form a new finance company subsidiary. **Office**—250 Park Ave., N. Y. **Underwriters**—To be named. The last financing by the company was underwritten by Allen & Co., and Van Alstyne, Noel & Co., New York City.

**Illinois Power Co.**
Feb. 28, 1962 it was reported that this utility expects to sell $25,000,000 of debt securities in late 1962 or early 1963. **Office**—500 South 27th St., Decatur, Ill. **Underwriters**—To be named. The last sale of bonds on May 21, 1958 was made through First Boston Corp. Other bidders were: Halsey, Stuart & Co. Inc.; White, Weld & Co.-Merrill Lynch, Pierce, Fenner & Smith, Inc. (jointly); Eastman Dillon, Union Securities & Co.; Harriman Ripley & Co., Inc.-Glore, Forgan & Co. (jointly).

**Interstate Power Co.**
Aug. 1, 1962 it was reported that the company plans to sell $6,000,000 of bonds in the second quarter of 1963. **Office**—1000 Main St., Dubuque, Iowa. **Underwriters**—(Competitive). Probable bidders: Merrill Lynch, Pierce, Fenner & Smith Inc.-Kidder, Peabody & Co. (jointly); Halsey, Stuart & Co. Inc.; Salomon Brothers & Hutzler; White, Weld & Co.

**Jamaica Water Supply Co.**
March 20, 1962 it was reported that this utility plans to sell $3,000,000 of mortgage bonds and $2,000,000 of preferred and common stocks. **Proceeds**—For debt repayment, and construction. **Office** — 161-20 89th Ave., Jamaica, N. Y. **Underwriters**—To be named. The last sale of bonds on May 3, 1956 was made by Blyth & Co. Other bidders were: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White, Weld & Co. The last several issues of preferred were sold privately. The last sale of common on May 9, 1956 was made through Blyth & Co., Inc.

**Japan Development Bank**
July 3, 1962 it was reported that the Japanese Finance Ministry has authorized the bank to issue an additional $22,500,000 of bonds in the U. S. It is expected that a major portion of this financing will be completed by March 31, 1963. **Business**—The bank was incorporated to 1951 as a Japanese Government financial institution to supply long-term funds to Japanese industry for the promotion of economic reconstruction and industrial development. **Office**—Tokyo, Japan. **Underwriters** — First Boston Corp.; Dillon, Read & Co. Inc.; Smith, Barney & Co., Inc., N. Y.

**Kentucky Utilities Co.**
Aug. 1, 1962 it was reported that this utility plans to sell approximately $15,000,000 of 30-year first mortgage bonds, in the first quarter of 1963. **Office**—120 So. Limestone St., Lexington, Ky. **Underwriters**—(Competitive). Probable bidders: Blyth & Co., Inc.; Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.-White, Weld & Co. (jointly); Eastman Dillon, Union Securities & Co.-Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly).

**Louisville & Nashville RR. (11/14)**
Aug. 28, 1962 it was reported that this road is considering the issuance of $25,000,000 of collateral trust bonds due 1987, subject to ICC approval. **Office** — 220 E. 42nd St., New York. **Underwriters**—(Competitive). Probable bidders: White, Weld & Co.-Salomon Brothers & Hutzler (jointly); Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected Nov. 14.

**Metropolitan Edison Co. (11/27)**
Aug. 1, 1962 it was reported that this subsidiary of General Public Utilities Corp., plans to sell $15,000,000 of 30-year first mortgage bonds, in the fourth quarter of 1962. **Office**—2800 Pottsville Pike, Muhlenburg Township, Berks County, Pa. **Underwriters**—(Competitive). Probable bidders: First Boston Corp.; Halsey, Stuart & Co. Inc.; White, Weld & Co.; Kidder, Peabody & Co.-Drexel & Co. (jointly); Blyth & Co., Inc. **Bids**—Expected Nov. 27, 1962. **Information Meeting**—Scheduled for Nov. 21.

**Montana-Dakota Utilities Co.**
Aug. 28, 1962 it was reported that this company plans to sell $12,000,000 of 25-year first mortgage bonds in late 1962 or early 1963. **Proceeds**—For construction. **Office**—831 Second Ave., S., Minneapolis. **Underwriters**—To be named. The last bond issue was won at competitive bidding on Dec. 3, 1958 by Eastman Dillon, Union Securities & Co. Other bidders were: Blyth & Co., Inc.-Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly); Halsey, Stuart & Co. Inc.; Equitable Securities Corp.

**National Airlines, Inc.**
May 8, 1961, it was reported that the CAB had approved the company's plan to sell publicly 400,000 shares of Pan American World Airway's Inc., subject to final approval of the Board and the SEC. The stock was originally obtained under a Sept. 9, 1958 agreement under which the two carriers agreed to a share-for-share exchange of 400,000 shares and the lease of each others jet planes during their respective busiest seasons. The CAB later disapproved this plan and ordered the airlines to divest themselves of the stock. **Price** — About $20 per share. **Proceeds**—To repay a $4,500,000 demand loan, and other corporate purposes. **Office**—Miami International Airport, Miami 59, Fla. **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith Inc., New York.

**Natural Gas Pipeline Co. of America**
June 12, 1962 it was reported that this subsidiary of Peoples Gas Light & Coke Co., plans to sell $35,000,000 of senior securities later this year. **Business**—Operation of two natural gas pipeline systems extending from Texas to the Chicago metropolitan area. **Proceeds**—For expansion. **Office** — 122 So. Michigan Ave., Chicago. **Underwriter**—Dillon, Read & Co. Inc., New York City.

**Nevada Northern Gas Co.**
Feb. 28, 1962 it was reported that this subsidiary of Southwest Gas Corp., plans to sell $2,000,000 of common stock. **Office**—2011 Las Vegas Blvd., South, Las Vegas, Nev. **Underwriter**—Eastman Dillon, Union Securities & Co., N. Y.

**New England Power Co.**
May 8, 1962 it was reported that this utility plans to sell $12,000,000 of 30-year first mortgage bonds in November, 1962. **Proceeds**—For debt repayment and construction. **Office**—441 Stuart St., Boston. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Kidder, Peabody & Co.-White, Weld & Co. (jointly); Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc.-Lehman Brothers-Equitable Securities Corp. (jointly); First Boston Corp.; Kuhn, Loeb & Co.

**Northern Illinois Gas Co.**
Feb. 28, 1962 it was reported that the company expects to raise $125,000,000 to finance its 1962-66 construction program. About $25,000,000 of this, in the form of a debt issue, will be sold in the second half of 1962. **Office**—615 Eastern Ave., Bellwood, Ill. **Underwriters**—To be named. The last sale of bonds on July 14, 1960, was handled by First Boston Corp. Other bidders were: Halsey, Stuart & Co., Inc.; Blyth & Co., Inc-Equitable Securities Corp. (jointly); Glore, Forgan & Co.

**Northern Natural Gas Co.**
Feb. 28, 1962 it was reported that the company's 1962 expansion program will require about $40,000,000 of external financing to be obtained entirely from long or short term borrowing. **Office**—2223 Dodge St., Omaha, Neb. **Underwriter**—To be named. The last sale of debentures on Nov. 16, 1960 was handled on a negotiated basis by Blyth & Co., Inc., N. Y.

**Oklahoma Gas & Electric Co.**
Aug. 1, 1962 it was reported that this company plans to sell $12,000,000 of 30-year first mortgage bonds, in the second quarter of 1963. **Office**—321 No. Harvey St., Oklahoma City. **Underwriters**—(Competitive). Probable bidders: Merrill Lynch, Pierce, Fenner & Smith Inc.-White, Weld & Co. (jointly); Halsey, Stuart & Co. Inc.; Lehman Brothers-Blyth & Co. Inc. (jointly); First Boston Corp.; Harriman Ripley & Co., Inc.-Eastman Dillon, Union Securities & Co. (jointly); Equitable Securities Corp.

★ **Pacific Gas & Electric Co. (11/27)**
Sept. 21, 1962 it was reported that this utility plans to sell $65,000,000 of first and refunding mortgage bonds due 1987. **Proceeds**—For construction. **Office**—245 Market St., San Francisco. **Underwriters** — (Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co. Inc.; First Boston Corp. **Bids**—Expected Nov. 27.

**Pacific Power & Light Co. (11/26)**
Sept. 10, 1962 it was reported that this company plans to sell $32,000,000 of first and refunding mortgage bonds due 1992. **Proceeds**—To refund $12,000,000 outstanding 5⅜% bonds due Jan. 1, 1987 and $20,000,000 of outstanding 5¾% bonds due Sept. 1, 1987. **Office**—920 S. W. Sixth Ave., Portland, Ore. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.-Kidder, Peabody & Co. (jointly); Lehman Brothers-Bear Stearns & Co.-Salomon Brothers & Hutzler (jointly); Blyth & Co.-White, Weld & Co. (jointly). **Bids** — Expected Nov. 26. **Information Meeting**—Nov. 21 (2:30 p.m. EST) at 2 Rector St., New York.

**Pennsylvania Power & Light Co.**
Feb. 20, 1962. Jack K. Busby, President and C. E. Oakes, Chairman, stated that the company will require about $93,000,000 in debt financing in the period 1962 to 1970. **Proceeds**—For construction and the retirement of $17,000,000 of maturing bonds. **Office**—9th and Hamilton Sts., Allentown, Pa. **Underwriters**—To be named. The last sale of bonds on Nov. 29, 1961 was won at competitive bidding by White, Weld & Co., and Kidder, Peabody &Co. Other bidders were Halsey, Stuart & Co. Inc.; First Boston Corp.-Drexel & Co. (jointly).

**Russ Togs, Inc.**
Sept. 5, 1962 it was reported that a registration statement will be filed shortly covering a secondary offering of about 150,000 common shares. **Business**—Company manufactures misses, junior and children's popular priced sportswear. **Office** — 1372 Broadway, N. Y. **Underwriter**—Shearson, Hammill & Co., N. Y.

**South Carolina Electric & Gas Co.**
Aug. 1, 1962 it was reported that the company plans a rights offering to stockholders of approximately $8,500,000 of common stock. **Office**—328 Main St., Columbia, S. C. **Underwriter**—To be named. The last rights offering in February, 1958, was underwritten by Kidder, Peabody & Co., N. Y. **Offering**—Expected in the first quarter of 1963.

**Southern California Edison Co. (10/30)**
July 3, 1962 it was reported that this company plans to sell $50,000,000 of first and partially refunding mortgage bonds, series P, due Nov. 1, 1987. **Proceeds**—For debt repayment and construction. **Office**—601 W. 5th St., Los Angeles. **Underwriters**—(Competitive). Probable bidders: Blyth & Co., First Boston Corp.-Dean Witter & Co. (jointly); Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.-Equitable Securities Corp. (jointly). **Bids**—Expected Oct. 30 (8:30 a.m. PST) at company's office.

**Southern Electric Generating Co. (11/28)**
Aug. 21, 1962 it was reported that this subsidiary of the Southern Co. plans to sell $7,500,000 first mortgage bonds due June 1, 1992. **Office** — 600 N. 18th Street, Birmingham, Ala. **Underwriters** — (Competitive) Probable bidders: First Boston Corp.; Halsey Stuart & Co., Inc.; White, Weld & Co.-Kidder, Peabody & Co. (jointly) Merrill Lynch, Pierce, Fenner & Smith Inc.-Blyth & Co., Inc. (jointly); Eastman Dillon, Union Securities & Co.-Equitable Securities Corp.-Drexel & Co. (jointly); Morgan Stanley & Co. **Bids**—Expected Nov. 28. **Registration**—Scheduled for Nov. 1.

**Southern Pacific Co. (10/10)**
Sept. 5, 1962 it was reported that the company plans to sell $6,000,000 of 1-15 year equipment trust certificates. **Office**—165 Broadway, N. Y. **Underwriters**—Competitive). Probable bidders: Salomon Brothers & Hutzler; Halsey, Stuart & Co. Inc. **Bids**—Expected Oct. 10 (12 noon EDST) at company's office.

**Southern Union Gas Co.**
Aug. 15, 1962 it was reported that this utility plans a rights offering of $10,000,000 of convertible preferred stock in the first quarter of 1963. **Office**—1507 Pacific Ave., Dallas. **Underwriters** — To be named. The last rights offering of preferred stock in April 1959 was handled by Snow, Sweeny & Co., Inc., N. Y., and A. C. Allyn & Co., Chicago.

**Southwest Gas Corp.**
Sept. 11, 1962 it was reported that this company plans to offer stockholders the right to subscribe for about 205,000 common shares of Nevada Northern Gas Co., a subsidiary, on the basis of two Nevada shares for each nine Southwest Gas shares held. Holders of Southwest Gas convertible securities will receive proportionate subscription rights without having to convert their holdings. **Office**—2011 Las Vegas Blvd., South, Las Vegas, Nev. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

**Washington Gas Light Co.**
Aug. 1, 1962 it was reported that this company plans to sell $12,000,000 of 25-year bonds, in the second quarter of 1963. **Office**—1100 H. St., N. W., Washington, D. C. **Underwriters**—(Competitive): Probable bidders: Eastman Dillon, Union Securities & Co.; Equitable Securities Corp.; Kidder, Peabody & Co.; First Boston Corp.; Halsey, Stuart & Co. Inc.

**Western Light & Telephone Co., Inc.**
Aug. 1, 1962 it was reported that the company plans to sell approximately $5,000,000 of common stock through a rights offering to stockholders, in the second quarter of 1963. **Office**—2015 Forest Ave., Great Bend, Kan. **Underwriter**—To be named. The last rights offering in January, 1957, was underwritten by Dean Witter & Co. San Francisco.

# An Investment No One Can Afford to Ignore

*By* Roger Babson

**Mr. Babson capsulates the multifold advantages of making out a will and doing it properly. He suggests using a lawyer instead of fore-going the benefit of skilled counsel; refers to the ease with which changes can be made and to the savings in cost of having a personally designated, rather than a court designated executor; and advises that it will be a "fine investment for you."**

It is the personal duty of every adult man and woman to make a will. Most people realize this basically, and yet I am constantly surprised by the number of intelligent folk who "just don't get around to it." Nobody likes to think about death, and still one cannot look at the daily newspapers without realizing how many reach an untimely end through automobile smashups and other hazards of civilization. You may live to a very ripe old age, but you might die tomorrow. Let me tell you why I think it is all-important to protect your estate by a will, whatever your age.

**Select Your Own Executor**

A will gives you the opportunity of choosing in advance a friendly executor rather than having some judge appoint an acquaintance of his with whom you might not be satisfied. If you die intestate and the court has to disburse your estate, it can run up a lot of costs, including the necessity for a bond. Most of these costs can be avoided by making your will and appointing your own executor. Under some circumstances, your executor can give your beneficiaries securities or property at a fair value instead of cash.

Your own executor, also, can use discretionary powers that a court appointee would not possess. He can, for example, decide what property to sell, and follow out the directions in your will as to the disposition of certain articles of clothing, furniture, etc. to definite friends or relatives. He can do the things that you want done in the way that you would do them yourself, without litigation fears. Your estate may be saved thousands of dollars because your executor can be given time through your will to use his best judgment and consult with other people, and thus avoid liquidating your assets hurriedly or during a time of depression.

**Wills Permit Special Provisions**

Only through a will can you arrange to leave money in trust so that the bereaved can have the full income for life and then have the principal go to the children or other chosen people. You can, if you wish, distribute your property in unequal amounts among your heirs where the need of some may be greater than that of others. It should be clearly recognized, too, that it could take two years or more for a court-appointed executor to settle your affairs, and your heirs might have little or nothing to live on during this period. An executor can be authorized in your will to disburse a certain amount each month to your wife, for instance, pending final settlement. This can be increased if there is illness or unexpected trouble. Changes in your will can be made by you at any time by adding proper codicils which your lawyer will advise you on.

Most people have favorite churches and charities that they intend to remember, but these organizations will receive nothing unless there is a will. Every man and woman should leave something to his or her church, especially since religion is still the only hope for our unsettled and disturbed world. Practically everything of value that we have—democracy, schools, hospitals, personal freedom—we owe to the work of the church. So don't forget your church in your will.

**Reputable Lawyer Important**

I urge you not to try to make your own will to save a few dollars. Find a reputable lawyer, give him a complete list of the gifts you want to make, and designate whom you want for an executor. Any good lawyer (he should be a resident of your state) will be able to put your wishes into clear legal shape. He will tell you to have the will signed by three witnesses who watch you affix your signature; preferably witnesses should not include those mentioned in the document. He will explain any technicalities to you, particularly as to the laws in your state.

It is a good idea to have at least three carbon copies of your will so that your suggested executor can familiarize himself with your intentions. One can be put in your safe-deposit box for your own personal reference, and one can remain with your lawyer. The original should be left with your bank and a receipt therefor obtained. Even if you have not very much money at this time, you should make a will. It will turn out to be a fine investment for you.



# Current News in the Field

**These items are supplemental to similar notices appearing elsewhere in this issue**

*NEW FIRMS*

ATLANTA, Ga.—**Investors Planning Corporation of Atlanta,** 614 Pauley Place, Northeast. Milton O. Berry is President; Howard M. Oppenheimer, Vice-President; and B. S. Berry, Secretary-Treasurer. Mr. Berry was formerly with Mutual Funds of America.

BALTIMORE, Md.—**Atlantic Securities, Inc.,** Old Town Bank Building. Morris B. Wexler is a principal.

BANGOR, Me.—**Paul H. Blinkinsop,** 117 Norway Road.

BROOKLYN, N. Y. — **James Colucci,** 1038 Broadway.

BROOKLYN, N. Y. — **Irwin Tarlow,** 599 East Seventh Street.

BROOKLYN, N. Y. — **J. B. Andrews & Co., Inc.,** 2245 East Nineteenth Street.

BROOKLYN, N. Y. — **Samuel Hochstein,** 2922 Nostrand Avenue.

CHICAGO, Ill.—**Cutler & Co.,** 10 South La Salle Street. William B. Cutler is President and Treasurer, and Horace H. Holcomb III, Secretary. Mr. Cutler was previously with Glore, Forgan & Co.

EAST ORANGE, N. J. — **W. T. Doerrler Investment Co.,** 519 Main Street. Partners are William T. Doerrler and Maureen Doerrler.

FLUSHING, N. Y.—**John Rohaly,** 37-55 Seventy-Seventh Street.

FLUSHING, N. Y.—**Axtel Agency Corp.,** 75-03 Main Street. Officers are Irving Fields, President, and Leonard Gardner, Secretary and Treasurer. Both were formerly officers of Axtel Planning Corp.

FOREST HILLS, N. Y. — **International Investment Company,** 110-20 Seventy-first Road. Henry R. Goldschneider is sole proprietor.

FT. LAUDERDALE, Fla. — **Balanced Financial Plans, Inc.,** 2787 Oakland Park Boulevard. Officers are Jack P. Hunt, President; Le Roy F. Finnell, Vice-President; and Richard B. Morgan, Secretary and Treasurer.

LITTLE NECK, N. Y. — **Empire Investors,** 262-04 Fifthy - eighth Avenue. Joel H. Weiss, formerly with Irwin Karp & Co., is sole proprietor.

LOS ALTOS, Calif. — **Ed Harris,** 175 South Antonio Road. Mr. Harris was formerly with Einer Paulsen Investment Securities, Walston & Co., and Merrill Lynch, Pierce, Fenner & Smith Incorporated.

NEW YORK CITY — **Francis T. Hayes,** 475 Fifth Avenue.

NEW YORK CITY—**R. & G. Securities Corporation,** 250 West 57th Street. Robert M. Rose is a principal.

NEW YORK CITY—**Ambassador Investors Corp.,** 22 East 40th St. Officers are David Camen, President; Max Halpern, Howard Stone and Lester R. Moss, Vice-Presidents; and S. Laurence Amdur, Secretary and Treasurer. All the officers, except Mr. Amdur, were formerly with Glickman Servicing Corp.

NEW YORK CITY — **Cambridge Servicing Corporation,** 120 East 56th Street. Gordon B. Gershman is a principal.

NEW YORK CITY — **Harold Pasternick,** 666 Fifth Avenue.

NEW YORK CITY — Effective Sept. 17, 1962, the firm name of Joel, Zuch & Co., 39 Broadway, was changed to **Martin J. Joel & Co.**

NEW YORK CITY — **Value Line Securities, Inc.,** 5 East 44th Street. Gavin H. Watson is President; George C. Berg, Vice-President; and David B. Huxley, Secretary. All are officers of Arnold Bernhard & Co. and Value Line Fund Distributors.

NEW YORK CITY — **Intercontinental Fund Development Corporation,** 20 Exchange Place.

NORFOLK, Va. — **J. Roland Jenkins & Associates,** 346 Omaha Road. John Roland Jenkins, is sole proprietor.

PHOENIX, Ariz. — **Jay & Company,** 222 West Osborn Road. Officers are Jay F. Dodd, President; R. S. Coleman, Vice-President and Secretary; and D. Lee Smith, Vice-President. Mr. Dodd and Mr. Coleman were formerly with W. J. Meehan & Co. Mr. Smith was with Merrill Lynch, Pierce, Fenner & Smith Inc.

ROME, N. Y.—**I. Barry Gibbs & Co.,** 230 Lakeview Drive. I. Barry Gibbs is sole proprietor.

SMITHTOWN, N. Y.—**Raymond J. Serry,** 110 West Main Street.

SOUTHAMPTON, N. Y.—**Anthony Caruso,** 49 Main Street.

VALLEY STREAM, N. Y.—**Luis F.** and **Jose M. Martinez,** a partnership, 160 Ash Street.

*NEW BRANCHES*

CORAL GABLES, Fla. — **A. C. Allyn & Co.,** members of the New York Stock Exchange and other principal stock exchanges, is expanding its operations in Florida by opening an office in Coral Gables. Personnel formerly with the Coral Gables office of Johnson, Lane, Space & Co., Inc. have joined the Allyn organization with Philip R. Anderson as Resident Manager. This newest Allyn office is located at 2423 LeJeune Road, Coral Gables. In addition to Mr. Anderson, the staff of Registered Representatives includes: Nathan C. Bobroff, Roy Chorbajian, Frank X. Gliozzo, Rowland S. Holmberg, Harvey A. Karter, Donald R. Modesitt, James M. Trotter, III, Carmine D. Nigro, Ira Sochet, and Bertram Schild.

DENVILLE, N. J. — **Kennedy, Frank & Miller, Inc.,** 28 Diamond Spring Road. Armando Castellini is resident Manager.

LONDON, Eng.—**Filor, Bullard & Smyth,** 8 Walton Street. Jesse B. Reid is the firm's foreign representative.

MANCHESTER, N. H. — **A. C. Allyn & Co.,** 1015 Elm Street. Norton R. Phelps is Manager, and Charles Samra, Associate Manager.

NEW ORLEANS, La. — **Florida Growth Company,** 2008 St. Claude Avenue. Clarence H. Wagner is resident Manager.

NILES, Mich. — **Albert McGann Securities Company,** 224 East

Main Street. Thomas E. Blackburn is Manager.

PEORIA, Ill.—**Tabor & Co.**, Board of Trade Building. F. Thomas McIntyre is resident Manager.

SANTA ROSA, Calif. — **Caldwell Investment Company**, 1112 College Avenue. S. Marshall Peterson is resident Manager.

SAO PAULO, Brazil — **Hirsch & Co.**, 255 Rua Barao de Itapetininga. Vee Bing Doo is the firm's representative.

*PERSONNEL*

ATLANTA, Ga.—William G. Espy has become associated with **Harris, Upham & Co.**, 44 Broad Street, Northwest. He was formerly President of Espy & Smith Investment Securities Inc., of Panama City, Fla., and prior thereto was with Sellers, Doe & Bonham.

BALTIMORE, Md.—**Kidder, Peabody & Co.**, members of the New York Stock Exchange and other leading exchanges, announce that John E. Rossell, Jr. is now associated with their Baltimore office, Mercantile Trust Building, as a registered representative.

Mr. Rossell was graduated from the United States Military Academy at West Point, N. Y., class of 1941. He served 20 years in the Field Artillery and General Staff in Europe, The Far East, and the Middle East as well as in various parts of the United States. He left service with the rank of Colonel.

BOSTON, Mass. — Christopher W. B. Coe is now with **Hutchins, Mixter & Parkinson**, 60 State St., members of the New York and Boston Stock Exchanges. He was formerly with Estabrook & Co.

BOSTON, Mass. — **Fidelity Management & Research Company**, 35 Congress Street, has announced the election of Chester Hamilton as Treasurer of the company. He was formerly Assistant Treasurer. Mr. Hamilton is also Treasurer of the Fidelity Group of Funds, including Fidelity Fund, Puritan Fund, Fidelity Capital Fund, and Fidelity Trend Fund. He is a graduate of Hamilton College and the Harvard Graduate School of Business Administration.

BOSTON, Mass.—Alfred L. Nardini is now with **Merrill Lynch, Pierce, Fenner & Smith Inc.**, 125 High Street. He was formerly with Reynolds & Co.

BOSTON, Mass. — Carleton T. Proctor is now associated with **Proctor, Cook & Co.**, 10 Post Office Square, members of the New York and Boston Stock Exchanges. He was previously with Coburn & Middlebrook, Incorporated.

BOSTON, Mass. — L. Paul Newburgh has joined the staff of **Markoff, Sterman & Gowell, Inc.**, 79 Milk Street. He was formerly with Bache & Co.

BROOKLINE, Mass.—Donald Augustus has been added to the staff of **L. S. Braverman & Co.**, 325 Harvard Street.

CHICAGO, Ill.—**Straus, Blosser & McDowell**, 39 South La Salle St., members of the New York and Midwest Stock Exchanges, have announced that four new registered representatives had joined their staff in Chicago. Jacqueline Lee Goosen Colbert and Tilden S. Engelman are associated with the firm's downtown office and Samuel A. Bell and Richard Lazer are in the company's Hyde Park office.

CLEVELAND, Ohio — Fred M. Hirsch is now associated with **Paine, Webber, Jackson & Curtis**, Union Commerce Building. He was formerly with Prescott & Co., and prior thereto with Merrill Lynch, Pierce, Fenner & Smith Incorporated.

CLEVELAND, Ohio — Edward P. Prescott, Senior Partner of **Prescott and Company**, Cleveland based investment banking firm and member of the New York and other major stock exchanges, has been elected a director of Curtis Industries, Inc. He replaces John A. Kruse, another Prescott partner. Jack Dicker has become associated as Registered Representative with the 1409 Broadway office of **Francis I. duPont & Co.**, it is announced by Ernest A. Beck, Manager.

Mr. Dicker was sales manager of Town & Travel Casuals from 1953 to 1959, before joining the investment firm of D. H. Blair & Co. in Wall Street.

CLEVELAND, Ohio — Thomas E. Tidd is now with **Goodbody & Co.**, National City East Sixth Building. He was formerly with Gunn, Carey & Roulston, Inc.

CLEVELAND, Ohio — Robert T. Shuber has joined the staff of **Westheimer and Company**, East Ohio Building. He was formerly with Ball, Burge & Kraus.

CLEVELAND, Ohio—Anthony J. Shylo is now with **L. A. Caunter & Co.**, Park Building. He was previously with Saunders, Stiver & Co.

CLEVELAND, Ohio—William O. Cruciger, Jr. and Paul R. Freeman have joined the staff of **Murch & Co., Inc.**, Hanna Building, members of the New York Stock Exchange. Mr. Cruciger was formerly with Singer, Deane & Scribner; Mr. Freeman was with Bernstein & Co.

COLUMBUS, Ohio — H. Thomas Douglass is now affiliated with **Wagner & Co.**, 5 East Long Street.

COLUMBUS, Ohio — Michael A. Griley is now with **Vercoe & Company**, Huntington Bank Building, members of the New York Stock Exchange. He was formerly with Hayden, Miller & Co.

COLUMBUS, Ohio — Donald F. Knox has become connected with **Gallagher-Roach & Co., Inc.**, 40 West Broad Street. He was formerly with Paine, Webber, Jackson & Curtis.

DALLAS, Texas—Gerald J. Campbell has joined the research department of **Eppler, Guerin & Turner, Inc.**, Fidelity Union Tower, members of the New York Stock Exchange, as an investment analyst.

Mr. Campbell, previously was a business news writer for The Dallas Times Herald for three years.

DENVER, Colo.—William F. Ashby, Kenneth S. Essex, James Fitch, Solon J. Lane and Orus J. Matthews, Jr. are now affiliated with **Boettcher and Company**, 828 Seventeenth Street, members of the New York Stock Exchange.

ELYRIA, Ohio—Lawrence B. Lancashire is now with **Pierre R. Smith & Co.**, Elyria Savings & Trust Building, members of the Midwest Stock Exchange. He was formerly with Saunders, Stiver & Co.

FT. COLLINS, Colo.—Gerald W. Ravenscroft has been added to the staff of **Boettcher and Company**, 117 West Oak Street. Mr. Ravenscroft was formerly in the securities business in Illinois.

GREENSBORO, N. C.—A. B. McLean has been added to the staff of **McDaniel, Lewis & Co.**, Jefferson Building, members of the Midwest Stock Exchange.

LA JOLLA, Calif. — Richard J. DeGroot has joined the staff of **Shearson, Hammill & Co.**, 1125 Wall Street. He was formerly with E. F. Hutton & Company.

LOS ANGELES, Calif. — John T. Kraai and Sam Match have become connected with **Hayden, Stone & Co. Inc.**, 611 Wilshire Blvd. Mr. Kraai was formerly with Eastman Dillon, Union Securities & Co. Mr. Match was with Garat & Polonitza, Inc.

MILWAUKEE, Wis.—John F. Dill has become connected with **Splaine & Frederick, Inc.**, 800 North Marshall Street.

NEW YORK CITY — **Rittmaster, Voisin & Co.**, 260 Madison Avenue, members of the New York Stock Exchange, on Oct. 1 will admit Sol Leit and Morton S. Schulman to partnership.

NEW YORK CITY — **Zuckerman, Smith & Co.**, 30 Broad Street, members of the New York Stock Exchange, on Oct. 1 will admit Harry Aronson to partnership.

OMAHA, Neb.—Charles J. Vana has joined the staff of **Storz-Wachob-Bender Co.**, 3624 Farnam Street.

PORTLAND, Ore.—John C. May has become associated with **Walston & Co., Inc.**, 901 Southwest Washington St. He was formerly with Zilka, Smither & Co., Inc.

SAN ANTONIO, TEXAS—**Lentz, Newton & Co.**, Alamo National Building, members of the New York Stock Exchange, on Oct. 1 will admit Alma Leeth Taliaferro to limited partnership.

SAN FRANCISCO, Calif.—Wilfred G. Erickson is now affiliated with **Eastman Dillon, Union Securities & Co.**, 601 California St. He was formerly with Sutro & Co.

SAN FRANCISCO, Calif.—Nicholas Suzick is now connected with **E. F. Hutton & Company**, 160 Montgomery Street. He was formerly with Dean Witter & Co.

SAN FRANCISCO, Calif.—Ray L. Seewer is now with **Shearson, Hammill & Co.**, 340 Sutter Street. He was previously with J. Barth & Co.

SAN FRANCISCO, California—Richard R. Burns is now connected with **Bache & Co.**, 235 Montgomery Street. He was formerly with Birr & Co., Inc. and F. S. Smithers & Co.

SANTA BARBARA, Calif.—Harry G. Williams has retired as Resident Partner for the Southern California and Arizona offices of **Francis I. duPont & Co.** Mr. Williams, who joined the nationwide investment firm in 1937, has been in the securities business for 43 years. He remains a Limited Partner of the firm, and will be located in Santa Barbara.

Brooks Monroe succeeds Mr. Williams. Mr. Monroe has been associated with the firm since 1958, when the Virginia investment firm of Scott, Horner & Co. of which he was Vice-President and Director, was merged into Francis I. duPont & Co.

SOUTHERN PINES, N. C.—John G. McCullen, Jr., has become connected with **Eastman Dillon, Union Securities & Co.**, 135 West New Hampshire Ave. He was formerly with R. S. Dickson & Co.

YOUNGSTOWN, Ill.—**Richards & Co.**, members of the New York Stock Exchange have appointed Marven O. Bowman, Jr. as an account executive for the Youngstown Area. The firm, with main offices in Pittsburgh, Pa., is also a member of the Pittsburgh Stock Exchange, an associate member of the American Stock Exchange, and an associate member of the Philadelphia-Baltimore-Washington Stock Exchange.

Headquarters for Richards & Co. in the Youngstown area will be 95 Algonquin Drive.

# Bankers and SBA Team Up On Loans to Small Business

**Term loans to small business used to purchase new equipment will be made available under a new program jointly worked out by the American Bankers Association and the Small Business Administration. Banks will make and service the loans for the SBA and provide the bulk of the funds. Ultimate hope is to decrease government loans.**

A new program to provide term loans for small businesses was announced recently by Sam M. Fleming, President of The American

John E. Horne    Sam M. Fleming

Bankers Association, and John E. Horne, Administrator of the Small Business Administration.

Mr. Fleming and Mr. Horne hailed the program as one which should make possible a great increase in the amount of credit which can be extended to qualified small business concerns by commercial banks. "The approach under this new SBA program has the two-fold purpose of encouraging greater commercial bank participation in SBA loans and of deferring repayment of SBA's participation to the later maturities," Mr. Fleming said. "It should enable commercial banks to channel a larger amount of their funds into these loans."

Under the new *Simplified Bank Loan Participation Plan, With Early Maturity Feature*, banks will make and service the loans for the SBA and will provide a large share of the loan funds. The banks will be repaid before the SBA starts collecting on its share of the principal.

The bank's participation must be the greater of (a) 50% of the total amount of the loan or (b) an amount equal to the participating bank's loan or loans to be repaid with a part of the new loan.

Thus, a bank participating to the extent of 50% of the total amount of a straight ten-year maturity loan would be repaid during the first five years of the loan. The SBA would not receive its repayment of principal until after the bank's share had been repaid.

For servicing the loan, the bank will receive from the interest collected for the account of SBA one-half of 1% a year on the unpaid balance of the SBA portion of the loan—plus the regular interest on its own share.

The program was developed by the Small Business Credit Committee of the ABA, under the Chairmanship of Arthur Maxwell, President, First National Bank of Biddeford, Biddeford, Maine, and C. R. Lanman, Deputy SBA Administrator for Financial Assistance.

In a letter to all ABA member banks, Mr. Fleming urged their active participation in the program "so that we may give more help to small business and also re-emphasize the principle of providing private rather than Federal Government credit for this important segment of the Nation's economy."

"Ultimately we hope that the program will produce the desirable result of decreasing government lending in the small business area, with commercial banks and other private lenders increasing loans in keeping with their traditional role."

Mr. Horne addressed a similar letter to ABA members in which he stated his belief that the program will be mutually helpful to the banks, to their small business customers, and to the government.

"We believe that under this program many thousands of banks will be able to give their small business customers greater service by providing them with term financing—which they might not otherwise have been able to provide."

# It Can Not . . . But It Can

"Your government cannot make jobs. But it can direct — and is directing — its policies and actions to helping unleash the dynamic forces for growth in private enterprise, the creative strength of America.

* * *

"The government itself can no more build all the people's houses than it can create all the people's jobs. But it can and it must — open the way for greatly expanded private investment and construction throughout the state." — Governor Nelson A. Rockefeller.

**Governor Rockefeller's clear Presidential ambitions lend a wide interest to anything he may say which reveals the manner of his thinking about current matters.**

**It is encouraging to observe that he recognizes the fact that "government cannot create jobs" or "build all the people's houses."**

**How to interpret and appraise his "but it can . . ." statements must be determined by what precisely is done or proposed.**

**There have been many disavowals of interference with natural forces by many politicians of late years—only to have good words dishonored by bad deeds. We can only hope that Governor Rockefeller will prove an exception.**

# WASHINGTON AND YOU

*BEHIND-THE-SCENES INTERPRETATIONS FROM THE NATION'S CAPITAL*

WASHINGTON, D. C. — Public housing in this country, once very controversial but seemingly more and more acceptable in most states, has become a fixture in our governmental setup like the FDIC, REA, TVA, CCC and the SEC.

The Public Housing Administration (PHA), created in the Roosevelt New Deal days, is observing its 25th year as plans go forward for an expansion of "decent housing for all American families."

The PHA, which is part of the overall Housing and Home Finance Agency, recently reported that more than 2,500,000 persons are now living in more than 515,000 PHA - produced low - rent dwellings.

However the tenant population is going to increase by about 450,000 when the more than 160,000 new housing units programmed are completed.

**There are about 1,600 local housing authorities. They represent all states execpt Utah, Oklahoma and Wyoming. The legislatures of these states have never paved the way for creation of local authorities. And this is the way it should be. Each state should determine its own desires and needs.**

### Backed by U. S.

Hundreds of millions of dollars in new housing authority bonds are going to be issued for the PHA program ahead. Already there is outstanding approximately $4 billion of bonds issued by local authorities but guaranteed by Washington.

Critics of our growing national debt have described the billions in housing authority bonds as "back door spending" and thus as not part of the so-called budgeted national debt of $300,000,000,000.

Pursuant to the Housing Act of 1949, the full faith and credit of the United States is pledged to the payment of all amounts agreed to be paid by the public housing authority.

**The bonds issued through the various local housing authorities vary in interest rates. For instance, the rate of interest for bonds issued at Toledo, Ohio, and those issued at Baltimore may may very well be a little different in interest rates. Yet authorities maintain that the full faith and credit of the Federal Government is pledged behind the bonds whether "low" or "high." The Housing Authority bonds are exempt from Federal income taxes by provisions of the 1937 Housing Act as amended.**

In addition to the 2,000,000 plus persons living in public housing today, there are about 5,000,000 others occupying low rent housing under the so-called low-rent housing program. After the homes are completed and occupied, Federal financial help is restricted to a yearly subsidy to enable low rents to be charged.

### Housing for the Elderly

Approximately half of the new units that are being planned under PHA are for use for elderly persons. Application for admission to public housing is made directly to the local housing authority in the community.

**Why is emphasis for housing for elderly being accelerated at this time? PHA's answer runs something like this: Average income for an over-65 family is about half that of all families. Between 50% and 60% of those over 65 have incomes of less than $1,000 a year, while another 20% are in the $1,000 to $2,000 range. About half have assets of less than $1,000.**

PHA says the average benefit for a person presently on social security is about $72 a month, and $82 for those currently retiring. The average benefit for retired couples si $120 a month.

Public Housing Administration people point out that while 2,500,000 people living in public housing in 1,600 communities, are more than the population of a number of our states, it represents only about 1% of our total housing supply. PHA estimates that there are still 15,000,000 people living in "substandard dwellings."

### Commissioner McGuire's Philosophy

PHA is being directed from Washington by Mrs. Marie C. McGuire of San Antonio, Tex., the eighth commissioner since the agency was created and the first woman to occupy the position. Prior to returning to her native city of Washington, she directed 12 public housings projects in San Antonio.

Mrs. McGuire, realizing PHA is controversial in many communities, is making a determined effort to inform the country that the subsidized housing, particularly for the elderly and the children, is a great humanitarian program.

"I think that the time is past," said Commissioner McGuire, "when a community should be permitted to exercise local autonomy to the extent of taking and spending public funds for every purpose except the one that is morally meaningful in this whole business-housing in a decent environment for those that cannot afford it.

**"I think the time has come when we should have the courage to expose the sham of those who are all too willing to accept governmental guarantees and subsidies that remove the risk from private enterprise, but who cry 'socialism' when governmental assistance is used to remove the misery of slum existence."**

Low rent public housing costs are paid by the tenants together with the Federal subsidy. The Federal Government makes a yearly contribution to guarantee the low-rent nature of the program. The local community makes a contribution through tax-exemption.

### Double Tax-Exemption

Each local authority issues bonds for the housing projects. Because the laws of the various states vary, the bonds may be general obligations or special obligations of the local authority. Nevertheless, the basic security of the bonds is one and the same. PHA pledges annual contributions.

The bonds currently issued are in coupon form with a maximum life of 40 years. Current issues are callable in whole, or in part, after 15 years from their issuance date. They are redeemed under the call provisions, at a price of 104% if called not later than 20 years from their date; 103% if retired not later than 25 years, etc.

**In addition to being exempt from Federal taxation, the bonds are also exempt from property and income taxes in the states where they are issued.**

The Public Housing Administration under current law is limited to $336,000,000 in annual contributions to the PHA housing program. About half of the sum is devoted to the payment of bonds.

Last year PHA decided that the issuance of new bonds should be solely in $5,000 denominations rather than $1,000 denominations. Issuance of the larger denominations will in the long run result in a substantial savings to PHA in printing and servicing costs.

PHA rents are based on family income, and not on the size of quarters required. Rents for families admitted in 1960, including heat, light, cooking fuel, water and other utilities averaged $39 a month. It is a little higher today. The average income in 1960 for all families was $45.75 a week, but the income has risen a little during the past two years.

*[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.]*


**"I'd have more faith in this company if they didn't pay the president's salary out of petty cash."**

# COMING EVENTS

*IN INVESTMENT FIELD*

**Sept. 28, 1962 (Philadelphia, Pa.)** Bond Club of Philadelphia 37th annual outing and field day at the Huntingdon Valley Country Club, Huntingdon Valley, Pa.

**Oct. 3, 1962 (New York City)** New York Group Investment Bankers Association Meeting.

**Oct. 4-5, 1962 (Cleveland, Ohio)** Northern Ohio Group Investment Bankers Association Meeting.

**Oct. 8, 1962 (Detroit, Mich.)** Michigan Group Investment Bankers Association Meeting.

**Oct. 8-9, 1962 (San Francisco)** Association of Stock Exchange Firms Fall Meeting at the Mark Hopkins Hotel.

**Oct. 9-10, 1962 (Minneapolis, Minn.)** Minnesota Group Investment Bankers Association Meeting.

**Oct. 11-12, 1962 (Los Angeles)** Association of Stock Exchange Firms Board of Governors meeting at the Ambassador Hotel.

**Oct. 13, 1962 (New York City)** Security Traders Association of New York 8th Annual Dinner Dance at the Americana Hotel.

**Oct. 19-20, 1962 (Philadelphia, Pa.)** National Association of Investment Clubs Twelfth Annual Convention at the Sheraton Hotel.

**Oct. 24, 1962 (Cincinnati, Ohio)** Ohio Valley Group Investment Bankers Association Meeting.

**Oct. 26-28, 1962 (Hot Springs, Va.)** Southeastern Group Investment Bankers Association Meeting.

**Nov. 4-9, 1962 (Boca Raton, Fla.)** National Security Traders Association Convention at the Boca Raton Hotel & Club.

**The CHRONICLE will publish on Nov. 22 a special pictorial Supplement giving complete coverage to the proceedings at the Convention.**

**Nov. 14, 1962 (New York City)** Association of Stock Exchange Firms Annual Meeting of members and organizational meeting of the Board of Governors. Dinner at the University Club.

**Nov. 25-30, 1962 (Hollywood, Fla.)** Investment Bankers Association Annual Convention at Hollywood Beach Hotel.

**The CHRONICLE will publish on Dec. 20 a special pictorial Supplement giving complete coverage to the proceedings at the Convention.**

**Nov. 29, 1962 (Chicago, Ill.)** Investment Analysts Society of Chicago luncheon meeting. Speaker: Herbert R. Silverman, President, James Talcott & Co.

**April 3-4-5, 1963 (Dallas, Tex.)** Texas Group Investment Bankers Association Convention at the Statler Hilton Hotel.

**April 27-May 1, 1963 (Boston, Mass.)** National Association of Mutual Savings Banks 43rd annual conference at the Hotel Statler.

**May 12-15, 1963 (Chicago, Ill.)** Financial Analysts Federation annual convention at the Palmer House.

# Investment Banking: A Vital Force in American Economy

By Curtis H. Bingham,* *President of the Investment Bankers Association of America, and President of Bingham, Walter and Hurry, Inc., Los Angeles, Calif.*

**Praise for the municipal bond industry's efforts to improve itself and to meet the challenge of raising capital is mingled with a reminder to solve potential problems accompanying expanding municipal markets before they become problems. Mr. Bingham refers to the increasing sales to individuals and the problems which might arise as to adequate disclosure, selling techniques and practices. Noting that there is no Federal regulation in this field, for good reason, he urges this excellent record be continued by foreseeing and devising the solutions to potential situations ahead of time. Moreover, the investment banking industry's spokesman refers to the Federal Government's capacity to move in where private sector fails and urges the industry to act promptly to prevent further encroachment as already exemplified in Federally subsidized programs. Further, he urges still greater efforts be expended in public relations and investor education as well as in helping to remove the impediments to private enterprise.**

Competition is keen throughout all segments of our industry but in the municipal area, particularly, this competition has produced a class of experts exceptionally responsive to to the needs of our profession. As I have come to know more of you and your work, I am literally amazed at its volume and effectiveness. This conference is a prime example of your desire to maintain this excellence.

Curtis H. Bingham

As I looked over the program for this two-day conference, there seemed to me to be one possible omission. That is a spot for appropriate recognition and appreciation of our Municipal Committee for their efforts in making this Conference possible.

Those of you who have attended our municipal forums at White Sulphur or Hollywood, or who have read the reports of our Municipal Securities Committee and its sub-committees, or who have had a chance to work directly on any of these matters, will well know the work of which I speak.

Those of you who have not had these opportunities will grasp, I believe, from the discussions of this Conference, something of the great amount of effort which has been expended and is being expended on all of these problems and activities in the municipal area. To mention just a few for your benefit, and not necessarily in the order of their importance, there are, in the area of business procedures, education and promotion:

(1) Recommendations for Computation of Principal and Interest;

(2) The book on *Fundamentals of Municipal Bonds;*

(3) A pamphlet of Suggestions for Marketing Municipal Bonds at Public Sale;

(4) Recommendations for Printing Legal Opinions on Municipal Bonds;

(5) A pamphlet on "Federal Aid to Education?"; and

(6) The brochure "Why Professional People Invest in Municipal Bonds."

In the area of Federal legislation:

(1) We opposed Federal aid for elementary and secondary school classroom construction and teachers' salaries;

(2) We opposed the proposed $2.6 billion Federal aid in Stand-By Public Works Act; and

(3) We opposed Federal aid for urban mass transit.

In the area of research, mention should be made of the *IBA Statistical Bulletin* and *Monthly Supplement.* And our Education Department has given due recognition to municipal training at the Institute of Investment Banking at the Wharton School and otherwise.

* * *

I should now like to make a few observations on the significance and potential of this conference itself, and congratulate all of those who have been responsible for bringing it about. We need to do a lot more of this sort of thing in our industry as a whole, as I see it, and I believe that events are forcing the trend in that direction.

As all of you well know ours is a highly individualistic business. No two firms in it are exactly alike, nor are any two firms run alike. Our business has not been noted for the mutual exchange of information and statistics about our operations, to put it mildly, I don't believe our member firms, as a general rule—at least until very recently—have given the time and thought to long-range planning and management problems which are so characteristic of most other industries. This is equally true of us as a group.

There are hopeful signs, however, that we are beginning to see this picture in better perspective and to do something about it in all segments of the business. I believe this Conference represents a step forward in that direction.

You have had your Municipal Forums at White Sulphur and Hollywood for many years. They have become increasingly useful in providing a forum where you can face up to problems of this sort, and have thorough and frank discussions of them. You found, however, that they provided inadequate time for this sort of thing, hence this conference where you can devote two full days to the consideration of a much wider variety of subjects than would be possible at one of you forums. In addition, I suspect that, outside of the formal sessions, many fruitful discussions and disclosures will be had. I shall be very much surprised if this Conference, and perhaps others, do not become a tradition and at least an annual affair by popular demand.

In this same general connection, I would like to leave just one further thought with you. You are all aware of the study which the SEC is making of our industry at the direction of the Congress. In the municipal field you do not have Federal regulation for a variety of very sound reasons which I do not have to spell out for you.

You are embarked however, and rightly so, upon a program for expanding the market for municipals. I take it this means, at least in part, selling municipals to a great many more individuals than has been the case in the recent past. Unless I miss my guess, this is going to present to your segment of the industry new problems of adequate disclosure, selling techniques and practices, supervision and the like. I would be very hopeful that in thoughtful meetings and discussions such as you are having here, you will foresee, and devise the solutions to such potential problems, before they become problems.

Now to a subject that warms my heart—"Investment Banking as a Vital Force in the American Economy."

To a group such as this, it hardly seems necessary to belabor the point that the investment banking business, as we all know it, is a vital force in the American economy. It seems to me that the mere statement of the volume of capital funds which our business has funneled to industry and local governments during the past year makes this point self-evident.

### The Figures

You all know that in the municipal field sales of bonds by states and municipalities to finance construction of public facilities have continued to set new records, with an aggregate of about $8.5 billion in 1961 and an aggregate of about $6.2 billion during the first eight months of this year.

Exactly comparable figures are not available in the corporate area, but I think it is fair to say that corporate issuers tapped the money market for some $13 billion last year. It is equally fair to say that our business, in one way or another, played a major part in this whole operation.

When annual figures such as these are translated into new jobs, plant and equipment, public facil-

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# Interest Rate Outlook

By Dr. James J. O'Leary, *Vice-President and Director of Economic Research, Life Insurance Association of America, New York City*

**Dr. O'Leary expects short-term rates for some months to come to be stabilized in line with present objective to meet money market rates abroad. A sizable tax cut, however, may bring about a higher short-term rate level as a result of tighter monetary policy. As for the long-term rates, they too are seen likely to move sidewise and fluctuate within a narrow range around present levels. Unless or until there's a strong economic resurgency, only the international payments' demand is pictured as providing a floor under both short- and long-term rates. The insurance economist reviews the past and present interest rates trends and describes the suppositional factors shaping his predictions.**

The purpose of this article is to discuss the outlook for short and long-term interest rates during the next several months. This is always a formidable assignment, but it is particularly so today because there are many imponderables in the months ahead of us. Some of the questions which must be considered in reviewing the prospects for interest rates are as follows:

James J. O'Leary

(1) What is the general business outlook? Will the rise in business activity continue to be of modest proportions, with a downturn before long, or will there be a sustained acceleration carrying business activity to a full capacity level?

(2) Will there continue to be a reduction in the deficit in our international balance of payments?

(3) Will conditions, as they develop, permit the monetary authorities to maintain credit ease, or will they force the authorities to adopt a restrictive policy?

(4) Will conditions, as they develop, lead to broad public support for a Federal tax cut?

If one knew the answers to these questions it would be a comparatively easy task to forecast the future of interest rates.

### The Movement of Interest Rates During the Kennedy Administration

In attempting to form a judgment about the future of interest rates, it will be helpful to review briefly the behavior of rates in the past, particularly since President Kennedy has been in office. Since January, 1961 interest rates have moved within a comparatively narrow range. This has been in sharp contrast, of course, with the behavior of rates in the period from the unpegging of the prices of government securities by the Federal Reserve in early 1951 to early 1960. Generally speaking, despite pronounced cyclical downturns in the second half of 1953 and early 1954, as well as in late 1957 through the first half of 1958, interest rates displayed a distinct upward trend which carried the average yield on long-term government bonds from about 2½% in early 1951 to about 4½% in early 1960. The rates on new issues of corporate bonds and on mortgages experienced a more pronounced rising trend.

Behind this upward trend of interest rates there were three basic factors. First, on the whole during the fifties there were heavy capital demands by industry and commerce, residential construction, and state and Federal Government. Thus, in much of this period interest rates trended upward as the result of pressure of demand for funds against the available supply. Secondly, through most of the period the general public was inflation-minded and we did experience some rise in the general price level. Inflation causes a rise in the total dollar amount of capital demand. In addition, the fear of inflation causes investors to place a higher proportion of funds in equities and a lower proportion in interest-bearing obligations. Thirdly, the monetary authorities during much of the past decade were obliged to pursue restrictive credit policies in the face of over-exuberance in the economy, and in the latter years because of the increasing seriousness of the deficit in our international balance of payments. For the same reasons, the U. S. Treasury felt obliged to seize every opportunity to lengthen the average maturity of the Federal debt.

After both short- and long-term rates reached their highs in early 1960, with the onset of a general business recession and declining credit demands, as well as a shift by the authorities to easy credit, there occurred a decline in rates which carried the average yield on long-term Governments in two stages from 4.42% in early January to 3.75% in late July, 1960. Similarly, the yield on three-month Treasury bills dropped from 4.59% in early January, 1960 to a level of about 2¼% by the middle of the year.

Space does not permit a detailed discussion of the movement of interest rates since mid-1960. What stands out in reviewing the behavior of rates during the past two years, however, is the comparatively narrow range within which they have fluctuated. The average yield on long-term Government bonds, for example, has moved between 3.70% and 4.12%. Only in mid-May of 1961 did it decline slightly below the 3.75 level it reached in the middle of 1960; most of the rest of the time it has fluctuated well above this level. Corporate bond yields have behaved similarly. State and local government bond yields have been subject to wider swings, particularly the sharp drop in the first third of this year due to heavy commercial bank purchases. Treasury bill yields fluctuated within the narrow range of 2¼- to 2½% between mid-1960 to nearly the end of 1961. This year they have remained within a range of 2¾ to 3%.

### Nudging Keeps Long-Term Rates Up

In view of the oft-repeated desire of the Kennedy Administration to produce lower interest rates—especially long-term rates—the behavior of rates in the past year and one-half may seem rather surprising. The reasons for it are quite clear. It has, of course, been the goal of the Administration to have the lowest possible short-term interest rates consistent with the needs of protecting the value of the dollar in foreign exchange markets. This has meant that the objective of the monetary authorities in credit policy, as well as the objective of the Treasury in its financing, has been to prevent the Treasury bill rate (and hence short-term rates as a whole) from declining below the point which would precipitate an outflow of short-term funds to money markets in other countries in which the rates were higher. The effect of this policy is visible, of course, in the stability of the bill rate within the 2¾ to 3% range this year.

The effect of stability in the short-term rates at a relatively high level compared with earlier periods of credit ease (for example, during the periods of credit ease in earlier cyclical declines, the bill rate fell precipitously to about ¾ of 1% in mid-1954 and to less than 1% in mid-1958) has in turn been to make it difficult for Government policy to induce significantly lower long-term interest rates. As long-term rates declined, there was always the opportunity to move funds into liquid short-term securities at comparatively attractive rates. More importantly, the attractive level of short-term rates made less necessary the reaching out for long-term securities by the commercial banks, especially until this year with the revision of Regulation Q.

With the recovery in general business activity which began in early 1961, there were many who anticipated a significant rise of interest rates. The reason that this has not occurred is that this recovery has been comparatively moderate and has not produced inflationary pressures. The monetary authorities have been permitted, therefore, to maintain an easy credit policy. Demands for loanable funds have risen, but at the same time the supply of funds from savings and bank credit has been fully adequate to meet the demands. Partly, therefore, the relative stability of interest rates at present levels has been the result of government policy and partly the result of a balance between demand for and supply of loanable funds at high level.

### The Outlook for Interest Rates

Against this background, what can be said about the outlook for interest rates? Before tackling this question, however, we must first answer three other questions: (1) What is the general business outlook and the outlook for the general price level? (2) What is the outlook for the U. S. international balance of payments? and (3) What is the outlook for a significant cut in Federal taxes in the next session of Congress?

So far as the general business outlook is concerned, the evidence to date suggests that the expansion which has been under way since February, 1961 has flattened out. The gross national product of the U. S. rose from a seasonally-adjusted annual rate of $500.8 billion (current prices) in the first quarter of 1961 to $538.6 billion by the final quarter. The additional rise this year has been disappointing, however, the GNP annual rate having been $545 billion in the first quarter and $552 billion in the second quarter. The general expectation is that the third quarter will show a further gradual rise. Or to take another general economic indicator, the Federal Reserve Board index of industrial production, after rising from 102.1 in February, 1961 to 114.8 in December, has since only edged up to 118.7 in July of this year.

One of the continuing bright spots in the economy has been the behavior of consumer spending, especially for automobiles. In addition, the level of residential construction has been higher than most forecasters expected and continues to be an element of strength. On the other hand, plant and equipment spending by business and industry, although expected to rise about 8% this year to $37.2 billion, has still been running at a disappointingly low level. Similarly, the economy is not getting much of a lift from the building of business inventories, which rose gradually to an annual rate of $6.7 billion in the first quarter of this year but dropped back to $4 billion in the second quarter. Another sign that the expansion lacks vigor is that corporate profits apparently reached a peak of $51.4 billion in the fourth quarter of last year and have since levelled off. Moreover, a number of the so-called "leading indicators" have shown signs of weakness.

In view of the evidence at hand, it seems likely that general business activity will continue to rise during the balance of this year and possibly into the first quarter of next. But at best this expansion seems likely to be moderate, with GNP rising to something like $567 billion in the fourth quarter of this year.

### Grounds for Optimism

There are some grounds for anticipating that the rate of expansion may accelerate in the next few months and may continue longer in 1963 than many now expect. One of these is that in the first half of this year the economy experienced two major shocks which were bound to have had an adverse effect on business activity, namely the steel episode and the decline of the stock market. Perhaps another was the liquidation of steel inventories. In some respects it is remarkable how well the economy performed in the face of these shocks. It can be argued that their adverse effects are largely behind us and that the climate for expansion is bound to be better in coming months. The second ground for optimism is the better than fair prospect of enactment of a sizable tax cut early next year as part of

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# Federal Legislation in the Field of Municipal Finance

By John N. Mitchell,* *Caldwell, Trimble & Mitchell, Esq., New York City*

**States' "tin cup" approach to Washington rather than recognizing and meeting the needs of our burgeoning metropolitan growth is blamed for Federal take over of municipal financing. An encouraging outlook for municipal financing displacing the vacuum filled by Federal intervention is depicted by Mr. Mitchell. He cites the recent Supreme Court Tennessee reapportionment decision as a way for urban areas to wrest control over State legislatures from rural areas and, thus, to at long last, match State responsibility with deeds. The municipal bond attorney denies the Federal Government is the only entity able to do the financing and avers Washington will surrender these programs and sources of revenue once the States function as they should. Mr. Mitchell describes the Federal programs in the field of municipal finance, and comments on the recent interest rate change by the community Facilities Administration and what still should be done to establish a "yardstick" of reasonable terms.**

Recitation of legislative provisions relating to most any subject is as dry as old Christmas trees. Accordingly, and in an attempt to provide a stimulant, along with the outline of the programs covered by Federal legislation, I would like to inject some observations as to their respective merits, the area of responsibility for their existence and examine the prospects for the future in this field. Needless to say, space will only permit coverage of the highlights in each category.

John N. Mitchell

For well over 100 years after the ratification of our Federal Constitution our Federal statutes were relatively free of provisions for financial aid to political subdivisions of the States. This situation did not continue long after the Congress and the Supreme Court discovered the word "welfare" in the Constitution and the Supreme Court had held that a taxpayer may not question the legality of the expenditure of public funds from the Federal Treasury. Much legislation has followed, with the expressed interest of promoting the general welfare, including various types of legislation in the field of municipal finance.

The forerunners of the legislative programs here under discussion were those brought into being to aid in combating the big depression of the early thirties. These earlier programs, administered by the Reconstruction Finance Corporation, Works Progress Administration and Public Works Administration, provided loans and grants to political subdivisions for the financing of public works. The powers and portfolios of these agencies ultimately settled in the RFC which was in turn supplanted in 1955 by the Community Facilities Administration hereinafter discussed. Substantially all of the investments held by these Federal agencies have been liquidated.

### Growing Federal Local Housing Aid

Each session of Congress brings forth new and expanded programs for Federal financial assistance in fields of housing, urban renewal, community facilities, college housing, public works, mass transportation and other fields. Each act passed and bill introduced recites that it is the policy of the United States to promote the general welfare of the nation by employing its funds and credit, as therein provided, to assist the several States and their political subdivisions to alleviate or cure a particular urban problem. The composite argument advanced in support of all such legislation is that a special need must be met in order to protect or advance the general welfare; that neither private enterprise nor the States or their political subdivisions are meeting the need, and that Federal funds and credit are the only solution and must be brought into the vacuum. The justification or refutation of such argument with respect to these programs may be determined by a consideration of their provisions, purposes, administration and effect.

The oldest, largest and best known of these programs is that providing Federal financing assistance to local public housing agencies in aid of low-rent housing under the United States Housing Act of 1937, as amended. This act, administered by the Public Housing Administration, provides loans and subsidies, called annual contributions, to such local agencies to assist them in providing low-rent housing for persons and families in the lowest income group who cannot afford to pay enough to cause private enterprise in their locality to build an adequate supply of decent, safe and sanitary dwellings for their use. Since its inception 25 years ago, this program has provided housing for approximately 7,000,000 persons and now houses over 2,000,000 persons in some 515,000 dwelling units.

The first private financing by local public housing agencies under this program occurred in 1939 with the issuance of temporary loan notes for the purpose of financing projects during construction. In 1940, definitive financing of projects was initiated by the issuance of Series A Bonds. From 1940 until the passage of the Housing Act of 1949, amending the United States Housing Act of 1937, the obligation of the Federal Government to pay the annual contributions pledged to secure the bonds of the local agencies was conditioned upon the performance of certain contractual undertakings by the local agencies. Subsequent to the enactment of the Housing Act of 1949, the PHA and the local agencies with Series A Bonds outstanding amended their contractual relationship to provide for the unconditional payment by the PHA of the annual contributions pledged to secure such Series A Bonds and, accordingly, the holders of such bonds, which are now outstanding in principal amount in excess of $75,000,000, for all practical purposes, if not contractually, have the same security as the currently issued housing bonds.

### Double Guarantee

Since the passage of the Housing Act of 1949, local agencies participating in the Federally-Aided low-rent housing program have issued New Housing Authority Bonds secured by the unconditional obligation of the PHA to pay annual contributions sufficient in amount to pay the principal of and interest on said bonds as the same become due and payable. The full faith and credit of the United States is pledged to the payment of such annual contributions and the Attorney General of the United States has expressed his opinion that the obligation of the United States to pay such contributions is the same as exists with respect to the payment of its own interest bearing obligations.

Upwards of $3½ billion of New Housing Authority Bonds have been issued since the first issuance in 1951, with a still undetermined number of billions to follow in order to finance the total authorized program. Pending the issuance of such bonds, the local agencies continue to temporarily finance projects during construction by issuance of temporary notes secured by an agreement with the PHA, called "Requisition Agreement," under which the PHA is obligated to advance funds, by way of a loan, sufficient in amount to pay the principal and interest on such notes at maturity. By certification upon each note, the full faith and credit of the United States is pledged to the payment of the monies agreed to be advanced by the PHA under the Requisition Agreements. The recent "float" of these temporary notes are rolled over from time to time until funded by the definitive bonds, is slightly under $1 billion.

The Urban Renewal program, enacted into law by the Housing

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# How to Sell Municipals To the Individual Investor

*By* G. Thomas Yeager III,* *Partner, Baker, Watts & Co. Baltimore, Md.*

**A forceful yet clear-cut explanation on how to go about selling tax-exempts is presented by a Baltimore partner whose firm's accounts generally run 60-70% stocks and respond well to municipals when capably retailed. Mr. Yeager reviews step-by-step the training his salesmen receive; cites the advantages of municipals and how they are brought to the attention of those uninformed about what those securities have to offer; and discusses investor education programs, advertising and IBA materials containing useful ideas. In concluding, Mr. Yeager points out that his firm at times is referred to as a bond house and is content to see this continue, as it has, since municipals to individuals have been an important part of the firm from the time it opened its doors in 1900.**

After I received the invitation to address the First Muncipal Conference, I decided to check our individual muncipal business at Baker, Watts & Co. to see if it contributed enough towards our overall municipal business that I could use our results as a basis for this paper. Some of the figures, to me, were rather interesting. Our individual municipal business was as follows: 54.9% of our total dollar volume of retail sales; 36.8% of dollar volume of municipal business; and 56.4% of our total municipal tickets.

G. Thomas Yeager III

I have divided my paper on "Developing Retail Interest Among Individuals" into three parts, as follows:

(1) Salesmen Training.

(2) Investor Education.

(3) Means of Keeping Name Before the Public.

I would like to take each part and elaborate by way of illustration, our firm has used these to develop our individual municipal business.

### Salesmen Training

Each new salesman we hire, in addition to taking the Stock Exchange course, is required to read "Fundamentals of Municipal Bonds." After he has had a chance to digest this as much as possible, we have him work in the Municipal Department. During this time, the trainee has a chance to listen in on the phones to learn the terminology of our business, learn to figure scales, and ask questions on parts in the book which have not been clear to him. Our main reason for doing this is that, we feel, the greater a salesman's knowledge of municipals, the better equipped he will be to talk to his customers. After the time in the Municipal Department, the trainee then begins working with a partner on analysis of accounts. In working with a partner, he again gains knewledge about selling municipals because he sits in on conferences with customers, reviews their holdings under the partner's supervision and gains the confidence to talk to customers of his own later on.

At this point, I would like to emphasize that a large part of our individual accounts are what we call balanced accounts. By this I mean they will have a percentage of their holdings in bonds and part in stocks. In general, the ratio will run 60-70% in stocks and the balance in fixed income securities with spaced maturities. As a result of this policy, the majority of our clients have had money available for the purchase of stocks during the severe decline we have just witnessed. Accounts that were solely invested in common stocks were locked in and were not able to take advantage of price declines in the market. We try to stress the quality factor of municipals versus corporate securities in addition to the tax-exempt feature.

### The Broad Market Among Non-Wealthy Individuals

A major selling point for municipals is that an investor does not have to be in a very high tax bracket for municipals to be advantageous. All of our salesmen are urged to go out and actively solicit municipal business as with the knowledge they have gained there is a large market for their wares. On any unusual type of municipals our firm is bidding on, the Municipal Department gets out a Preliminary Circular giving the necessary information to the salesman to enable him to talk intelligently with his customers. We feel it is vital to have good communications between the Municipal Department and the sales force; and on any municipals we purchase, we try to show them to the salesmen before they are shown on our offering sheet or in the *Blue List.*

### Investor Education

Last fall we conducted a course in municipals using again "Fundamentals of Municipal Bonds" as the text. We held this for young personnel in the banks, investment counseling firms, and insurance companies in Baltimore and had a tremendous response; so much so, that several of our salesmen have scheduled these seminars for small groups this fall. This is a vital part of investor education and if you use people who are called "centers of influence," you will find others coming in for knowledge as a result. The Bond Club of Baltimore, in cooperation with McCoy College, holds a course each fall on investing and one lecture is devoted to municipal bonds. This class generally numbers over 150 each year. I have given the municipal talk four times and I have always gotten at least one new municipal account for our firm as a result of this class. I think all of the YMCA's in and around Baltimore during the course of a year have a series of classes on investments and our younger salesmen all take an active part. Again, a talk on municipals by someone from our Municipal Department will always produce results.

### New IBA Booklet Is an Ideal "Door Opener"

It is amazing to me the number of people who are not aware of municipal bonds. Lawyers, accountants, doctors, all are prime candidates for our bonds and yet relatively few know of their existence. The new booklet of the IBA, "Why Professional People Invest in Municipal Bonds," is ideal as a door opener. I suggest it be given a try as again I can tell of orders we can attribute to inquiries as a result of the pamphlet. As part of investor education, we like to point out the different types of municipals for different investment objectives. Some investors desire maximum current income, others desire capital appreciation, some want high income-producing revenue bonds, others desire high quality. Can you think of any other type of investment with as many possibilities plus tax exemption as the most important feature? Last fall one could buy general obligation bonds which yielded more tax-free income than so called income stocks and utility stocks did before taxes.

This, to us, was an excellent opportunity to sell some stocks and even after paying the capital gains tax and reinvesting the proceeds, the customers had better take-home pay than before. In last year's bull market, if you had called a client and told him you had a security that would pay him a 3½% current return and guarantee him a 25% capital appreciation in 15 or 20 years, he probably would have hung up the phone and been right down to your office. Take a look at some old Blue Lists and see how many discount bonds there were around on which you could do even better than the 25% gain I indicated. There are many spots for discount bonds but they must be developed by us, again through investor education. When you talk to an individual and point out that municipal bonds offer tax-free income, safety, high quality, ready marketability, and diversification as to issues and maturities—the possibilities for sales are unlimited. While other investment media may be found to provide some of these features in varying degrees, we believe that no other type of investment offers the average investor all of these advantages at as attractive an after-tax return.

### Means of Keeping Name Before The Public

After having trained salesmen to sell municipals and educated the individual investors for their purchase, it is highly important to keep the firm's name associated in their minds with municipal bonds. There are many ways to do this. We have used two mailing pieces to our clients: *Municipal Bonds for the Individual Investor*, a pamphlet we wrote in our office, and the IBA pamphlet which I previously referred to, *Why Professional People Invest in Municipal Bonds.* These are particularly effective to send out and have a salesman make a follow-up call. We have used newspaper advertising as an effective means of broadening the market for municipal bonds. Our municipal ads tie in with our overall advertising program and are based on the theme, "The Prudent Approach to Investing." We ran the ad showing the crumpled up tax return just prior to April 15 and a few days later a man called up and asked to speak to someone who knew something about the ad. Our telephone operator gave me the call and since that time, the man has purchased $65,000 municipals from our firm. Need I say more than that about results! This is only one instance and there have been others. The IBA advertising kit is now available and I would also like to suggest that it be studied for useful ideas.

We have also used the taxable equivalent charts which can be purchased from the *Bond Buyer.* This is an effective means of keeping the firm's name connected with municipals. Try using them as mailing pieces with bills and see if customers don't call with questions. Each caller is a prospective purchaser of municipal bonds. Each week we make up a municipal offering list and mail it out to a regular mailing list. After doing this for awhile, you'll find that if a customer doesn't receive his on the prescribed day, he'll call up wanting to know if he has been removed from the mailing list. We feel continuity is an important part of this mailing so people do become accustomed to looking for it.

### The Importance of a Profit Incentive for Salesman

Perhaps the following point should have been discussed under, "Salesmen Training," but not having done so, I would like to discuss at this point something that I think we are all vitally interested in — PROFIT. We do not feel that we can ask a salesman to sell a bond maturing in 20 or 25 years when there is only three-eighths of a point concession, of which he will receive approximately 40%. I don't believe any salesman today would be willing to put a customer's money away for 20 or 25 years knowing he will only receive $1.50 per bond as his share of the commission on this transaction. We have found that on bonds that we have in inventory, if we can offer the salesman 1 to 1½ points selling credit, the bonds will generally be sold.

In closing, I'd like to call attention to an ad R. W. Pressprich Co. ran a few months ago and the opening sentence was, "From time to time, you will hear this firm described by a non-customer as a 'bond house' which is a perfectly apt designation, as far as it goes." The ad goes on to explain they are a bond house but they are much more than that. Baker, Watts & Co. has at times been referred to as a bond house and like R. W. Pressprich Co., we are proud of it. The sale of municipal bonds to individuals has been an important part of our firm since its founding in 1900 and we hope it will remain the same for many years to come.

*A talk by Mr. Yeager before the First Municipal Conference sponsored by the IBA, Chicago, Ill., Sept. 12, 1962.

# Why Every Investor Should Consider Municipals

*By* Curtis V. ter Kuile, *New York City*

**Cogent reasons for the purchase and retention of good grade tax-exempt municipals stress: (1) after-tax yield differences "vis-a-vis" corporate stocks and bonds; (2) ready marketability; and (3) capital gains performance in comparison with equities. In discussing the possibility there may be an income tax-cut, the writer observes that an increase in taxes usually causes the tax-exempt market to rise but a tax reduction certainly does not "always cause the municipal market to go down." The author doubts that a really important reduction in U. S. personal income tax is likely.**

When the big break in the stock market came on May 28, 1962 a great many investors who had not been old enough to experience the crash in 1929 realized for the first time that it at last had become necessary for them to review their investment program and perhaps plot a new course for the future. Down through the ages it has been a great deal harder to keep money and get a fair net return on it than it has been to make it in the first place. The Dow Jones industrial averages had declined from 655.36 on May 15, 1962 to 535.76 on June 26, down 119.60 points in 40 days and 40 nights. So investors really had something to think about. The question was, should a person dispose of stocks and await the outcome, thus losing current income, or should the funds be placed in some other type of security? The answer to that question, it is hereby suggested, lies in the purchase and retention of good grade tax-exempt municipal bonds.

Curtis V. ter Kuile

Any person with a taxable income of $10,000 shown on Line 11d of the U. S. Individual Income Tax Return, Form 1040, is a logical prospect for tax-exempt bonds. There is no question as to the distinct advantage of this type of investment if one considers the net income that he retains after tax accruals. Anyone who pays an income tax and has capital to invest is a potential buyer. He not only enjoys the tax exemption, but considerably more safety of principal than in the average investment of any other type. The best quality municipal bonds are payable from unlimited *ad valorem* taxes levied upon all the taxable property of the municipality without limit as to rate or amount. Therefore such bonds are generally considered to constitute about the most secure type of investment available.

In order to discover the true merits of tax exempt bonds as compared to corporate bonds or stocks, the two examples in Table I should clearly indicate the savings which can be realized. In them it is assumed that the taxpayer is married and has income from salary and investments.

The examples used in Table I are made up on the basis that the taxpayer "A" with taxable income of $14,106.55 and investments solely in stocks and corporate bonds would save 13.9% on taxes by switching to a portfolio entirely made up of tax-exempt bonds. By the same premise, taxpayer "B" with taxable income of $98,200 would save 47.4% in taxes. It has been assumed that in both cases tax exempt bond interest was equal to dividend and taxable bond income.

### After-Tax Yield Differences

A great deal has been written and said about the difference in net yield between tax free bonds and stocks or corporate bonds. It seems very easy to just take a taxable equivalent table and read off the information that a taxpayer who is unmarried and in the 87% bracket, who purchases 3% tax exempt bonds, will get a yield equivalent to a 23.08% return on stocks. If he is entitled to the 4% dividends received credit, then the taxable equivalent yield drops to 18.75%. In a joint return, using the same taxable income the account finds itself in the 72% bracket, with a 10.71% taxable equivalent yield, which drops to 9.68% if entitled to the 4% dividend received credit. Moreover, income tax returns vary according to the difference in the deductions or exemptions of one person or family from another and the true results may not come out as hoped for. Therefore, it is suggested that investors can use a taxable equivalent table for a broad indication of savings through purchase of tax-exempt bonds but it is better to have an accountant check the figures in any particular case.

### Traded Over-the-Counter

Persons who have never purchased municipal bonds are frequently disturbed when they learn that their market is over-the-counter. There is no reason to hesitate on that score. Practically all bank stocks, insurance stocks, a large number of excellent preferred stocks, and at least 1,000 investment grade common stocks are traded over-the-counter. In fact certain of the largest investment firms are not even members of any stock exchange. The only municipal bond that the writer knows of which is listed on the New York Stock Exchange is New York City 3% Corporate Stock due June 1, 1980. There are, incidentally, certain important advantages in holding these bonds. In the first place New York City has paid interest on its debt without interruption since 1836. These bonds are rated "A" by Moody, are legal investment for savings banks and trust funds in New York, are non-callable, from both Federal and State of New York taxation, and are interchangeable, which means that they may be converted to registered form and back to coupon form without charge. This makes them valuable as collateral for municipal construction contracts. Besides all this, they are traded nearly every day on the New York Stock Exchange and the sale prices can be found in newspapers without checking with a broker. The present market price is about 94⅛ to yield 3.43%.

High grade municipals can be readily sold at almost any time and under the worst market conditions. On the Friday before the inauguration of President Franklin D. Roosevelt, conditions in financial markets, business and banking were chaotic. A number of banks had either failed or just closed their doors. There was only a nominal market for U. S. Government bonds. On this last

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**TABLE I**

| Example | A1 | A2 | B1 | B2 |
|---|---|---|---|---|
| Line 1 wages | $14,716.44 | $14,716.44 | $100,000 | $100,000 |
| Line 5 divs. and taxable interest | 5,446.69 | ------ | 24,000 | ------ |
| Tax exempt interest | ------ | 5,446.69 | ------ | 24,000 |
| Line 11d taxable income | 14,106.55 | 8,659.86 | 98,200 | 74,200 |
| Line 12 tax | 3,351.96 | 1,851.56 | 52,344 | 6,630 |
| Net income after tax accrual | 10,754.59 | 12,254.99 | 45,856 | 67,570 |
| Increase in net income after tax | ------ | 13.9% | ------ | 47.4% |

**TABLE II**

| | | Jan. 11, 1960 | | | Sept. 7, 1962 | |
|---|---|---|---|---|---|---|
| D/J Municipal Average | | 3.81% | | | 3.28% | |
| **Municipal Bonds** | | | | | | |
| Connecticut | 2⅝% | 2/15/73 | 3.60% | 2.60% | 7/ 1/75 | 2:80% |
| Illinois | 1¾% | 5/ 1/72 | 3.90% | 3% | 10/ 1/84 | 3.05% |
| Massachusetts | 3¼% | 6/ 1/74 | 3.65% | 3½% | 4/ 1/80 | 3.00% |
| New Jersey | 3⅜% | 1/ 1/72 | 3.35% | 3% | 3/ 1/84 | 2.95% |
| New York | 3¾% | 12/ 1/85 | 3.55% | 3½% | 6/ 1/87 | 3.10% |
| Texas | 3¾% | 8/ 1/80 | 3.50% | 3½% | 6/ 1/83 | 3.10% |
| Chicago | 3¾% | 1/ 1/77 | 3.80% | 3¾% | 1/ 1/77 | 3.15% |
| Hartford | 2.90% | 7/ 1/74 | 3.50% | 2.70% | 5/ 1/76 | 2.75% |
| Houston | 3½% | 3/ 1/76 | 3.90% | 3¼% | 9/ 1/78 | 3.00% |
| New York City | 4¼% | 6/ 1/74 | 3.90% | 4¼% | 2/15/76 | 3.10% |
| St. Louis | 3.10% | 2/ 1/78 | 3.70% | 3% | 2/ 1/76 | 2.75% |
| D/J Industrial Average | | 667.16 | | | 600.86 | |
| **Stocks** | | | | | | |
| Union Carbide | | 141 | | | 89 | |
| U. S. Steel | | 93¼ | | | 42½ | |
| Du Pont | | 243 | | | 201½ | |
| Eastman Kodak | | 100¾ | | | 99¾ | |
| Standard Oil (N. J.) | | 47 | | | 52 | |
| Consolidated Edison | | 61 | | | 76 | |
| Consumers Power | | 27½ | | | 37¼ | |

# Coupon Bond: An Outmoded And Expensive Instrument

*By* Russell H. Johnson, *Executive Vice-President, United States Trust Co. of New York, and Chairman, American Bankers Association Special Committee on Bonds*

**Like a feat of prestidigitation, coupon bonds still prevail despite their disadvantages. Nevertheless, Mr. Johnson believes the "era of unquestioned acceptance of the coupon bonds is over and the logical move toward utilization of the obvious advantages of the registered bond is gaining momentum." The U. S. Trust official is hopeful that the recently appointed Special Committee on Bonds by the American Bankers Association will succeed in accelerating the momentum. Mr. Johnson lists the advantages of registered bonds to the public and to the issuer; compares them to coupon stocks; expects the anachronistic cost differential between the two types of bonds will be removed; and indicates those exceptional instances where coupon bonds might still continue to exist.**

In spite of some searching and imaginative challenges in the past decade, the coupon bond remains the accepted instrument in most bond financing. If its position is now less than sacrosanct, it is due primarily to positive action on the part of the proponents of the registered bond. There was a time when examination of the principles involved provoked very little food for thought or discussion—just warmed over variations of those well-chewed morsels, "normal procedure" and "accepted practice." Recently, more aggressive arguments for furthering the use of the registered bond—by impact of logic—have been making a favorable impression whenever discussed in the financial community. Although progress to date is limited, there is evidence of growing skepticism among both the coupon bondholders, who find the coupon clipping time-consuming and unnecessary, and the issuers, who are increasingly frustrated by a needless expenditure in time and manpower to process the coupons.

Russell H. Johnson

This skepticism toward the coupon bond experienced by so many realistic men in the financial field has set the stage for a still more forceful presentation of the advantages of the registered bond.

**Bankers Appoint a Committee**

It is not enough to acknowledge that something must be done to encourage the change. There is need for a definite program. There is need for leadership. The American Bankers Association has met this challenge by appointing a Special Committee on Bonds to organize and promote a program encouraging the substitution of the registered bond for the coupon bond in situations that should benefit the bondholders, the issuers and the financial community in general.

The program — still in the development stage — faces many problems that must be resolved; the advantages and logic of its arguments must be effectively expounded; there are important questions that must be answered. The skeleton plan that has been developed poses some key questions whose answers may unlock the gates of recognition to the advantages of the registered bond. Briefly, these questions are:

(1) Should the program encouraging the use of the registered bond be separated into two parts: (a) Municipal Bonds; (b) Corporate Bonds?

(2) How can the public be made to realize the advantages accrued from their holding the registered bond as opposed to the coupon bond; thereby getting the public (and let's emphasize that "the public" is the buyer) to ask for registered bonds?

(3) What can be done to encourage corrective legislation where needed?

(4) What is the most direct path to the elimination of the price differential?

**What About Municipals?**

In a very interesting pamphlet entitled *The Coupon Bond: A Costly Paradox,* Orvel Sebring, Advisory Member of our ABA Committee, logically and comprehensively argues the good sense of the registered bonds as opposed to coupon bonds. He cautions that exceptions to these advantages do exist in the case of municipal bonds. The small municipality has no facilities for transferring certificates from one owner to another as would be necessary with the registered bond. It is unreasonable to assume that they would willingly absorb the cost of a corporate trustee or transfer agent for such a purpose. It is obvious that the ideal situation—where all bonds are registered and all interest payments are made regularly by check—is merely wishful thinking. There may never be a time when all the bonds—Corporates, Governments and Municipals—are registered bonds.

Recognizing the necessary coexistence of the coupon bond and the registered bond, the need for corrective legislation in many municipalities becomes increasingly important. At the present time there are restrictive clauses in many municipal charters and statutes which prohibit issuance of coupon bonds in denominations other than $1,000. It is hoped that some progress can be made in persuading legislators to revise the old laws — particularly when the law affects a larger municipality or where it would be feasible to consider the advantages of a registered issue. Certainly this problem will attract a great deal of attention from our committee.

**Advantages to the Public**

The advantages that would accrue to the investing public from a wider acceptance of the registered bond are both tangible and substantial:

*Safety:* A bond in fully registered form is non-negotiable and can be replaced, whereas the coupon bond is a bearer instrument, and if lost, the owner has no rights against a bona-fide purchaser. Lower insurance costs, as in mailing for example, are reflected from the fact that registered bonds are non-negotiable.

*Disaster:* In the event of a nuclear disaster, identification of a great share of the wealth of the country would be lost, almost certainly untraceable, if it were of coupon bearer form as opposed to registered form, of which microfilm or other records of ownership might be available.

*Storage:* The savings in space alone should be an appealing factor in promoting a move by the investing public toward fully registered bonds.

*Notice Benefits:* Surely, here is an obvious argument for the registered bond. In this often overlooked advantage we can foresee the elimination of the tragic situation when the unhappy bondholder misses the public redemption notice. Certainly, the registered bond holder's assurance of notice by mail in the event of redemption or of default must be a comforting one.

**Benefits to the Issuer**

Balancing the advantages to the investing public are benefits of equal importance to the issuer. The handling of coupons would be eliminated and record keeping diminished. The reduction in insurance cost of mailing fully registered bonds would also be available to the issuer. The communication made possible by annual reports and other literature by registration should engender more interest in the corporate family and foster better bondholder relations.

We cannot defer to coupon bonds on the grounds that issues entirely of registered bonds would not be acceptable to the financial community. In the stock exchanges of the United States and in our over-the-counter markets, billions of dollars of wealth in the form of stock certificates are traded daily. Over-the-counter settlements are made under the rules of the stock exchanges and transfers are usually completed within a forty-eight hour period. Why isn't it worth the effort to get registered bonds on this same basis when the issue is large enough to justify an outside agent?

Perhaps the most difficult problem facing the committee is breaking down the historic price differential between a registered bond and a coupon bond. This applies to corporate as well as municipal bonds. This price discrimination against registered bonds may be hard to rationalize, but it does exist and it will be a subject for extensive study by our committee. It is an anachronistic practice which in this age of barrier breaking should be changed.

In his article on registered bonds in the July 1962 issue of the *Commercial and Financial Chronicle,* Ray Myers, Vice-President, Continental Illinois National Bank and Trust Company, Chicago, effectively capsuled the advantages when he said: "Registered bonds, unlike coupon bonds, can be replaced if lost or stolen, require much less vault space, and interest payments are made by check the same as dividends."

Indeed the advantages that will accrue to both the bondholder and the issuer from use of the registered bond are as manifold as they are real. Consider for a moment the countless hours of unproductive manpower that go into processing not thousands—but millions—of coupons annually. First they must be cut, then counted for presentation, counted again by the paying agent, and finally cremated. Certainly, we can agree that while this country is experiencing a huge national problem of unproductive manpower, tens of thousands of hours are needlessly spent processing coupons and producing nothing of benefit to anyone. Anyone having experienced the task of pasting coupons back on to the bonds from which they were cut because of sale prior to the coupon due date will say amen to the above.

**Problems Akin to Coupon Stock**

In effect the problems and difficulties inherent in processing the coupon bond are akin to those of the coupon stock. There is no disagreement in the financial community that the coupon stock is the most cumbersome type of stock to hold and to collect the dividend. It is a matter of record that a number of large issues of coupon stock proved so burdensome, so unpopular, that they were only recently changed to registered stock.

The continued use of the coupon form is based primarily on "accepted practice," a practice that originated in Europe when governments were less stable and it was often desirable that wealth be cloaked in the anonymity of unregistered or coupon form. The practice persists in Europe today. The American financial community with no basis for concealment, has broken with the unwieldy mechanics of the coupon stock, but paradoxically it clings tenaciously to the equally awkward methods of the coupon bond.

We must not overlook the fact that in the nineteenth century ineffective means of communication represented a strong argument for the coupon bond. The slower mails and undeveloped mediums of transportation and information may have hindered decisive and prompt action on the part of the registered bondholder. These problems do not exist today. The formulas of bygone years do not necessarily mesh with con-

*Continued on page 23*

# Public Education and Sales Promotion of Municipals

By Fred D. Stone, Jr.,* *Vice-President in Charge of Municipal Dept., The Marine Trust Co. of Western New York, New York City*

**Municipal underwriters and dealers are admonished to: (1) improve their advertising and dissemination of financial news and investor education; (2) upgrade salesmen's selling approach; (3) cultivate the secondary market; and (4) maintain the highest trading integrity. Mr. Stone wants the municipal sector of the investment industry to make the "Uniformed American Taxpayer An Educated American Investor" and the "Uniformed Salesman Informed." Proper use of professional knowledge in furthering public education on municipal securities, he adds, should be the primary goal of all concerned. The writer deplores today's lack of advertising and news coverage in a great many of our daily and weekly newspapers, despite the strides made, and assays responsibility for the lack of public education. Mr. Stone castigates those salesmen whose investment approach has been "profit" or "growth" instead of the practical approach of "assured tax-exempt income," and those firms that have been disposed to push high-profit-marginal quality municipals as an inducement to salesmen to develop municipal clientele.**

The American taxpayer is the best sold but poorest informed taxpayer in the world—he is sold the product—the organization or the party which has the best advertising and public education program—backed by the best talent and the biggest budget. He gets his first sales pitch in the morning when his clock radio—sold to him by GE or RCA or Westinghouse or Motorola with million dollar TV and radio programs—snaps on and wakes him—he finds out about the weather—courtesy American Airlines and Khrushchev and Dr. Soblen sandwiched in with a pitch for TWA, Pakistan National Airlines or perhaps the *Herald Tribune* or Los Angeles *Times*. Between the commercials on his early morning radio program—or perhaps as he watches the "Today Program" on TV he gets all the latest "leaks" planted by the greatest promotional organization in existence today—at least in the U. S.—"the Administration"—they have the biggest budget—the most talent plus free time on every broadcast and in every newspaper. When he gets to the breakfast table he scans the morning paper which in one form or another repeats and expands the news he heard on radio or TV and is filled in on the propaganda pitch from "headquarters" as it is interpreted by the various Washington correspondents—depending on the slant of their individual thinking and the editorial policy of the paper.

Fred D. Stone, Jr.

As our reader thumbs the pages to sports—or obituaries or international news as the case may be—he gets a pitch from the best advertising agencies in the world—presenting—automobiles by the page—suits by the hundred—shirts by the box and the latest discount house's offer of stereo records at hi-fi prices. Working his way through his coffee and danish, he finally gets to the financial section.

### Informing the Uninformed Taxpayer

Pretty darn dignified and somewhat dull by comparison, isn't it? True it is 1,000% better than it was 10 or 15 years ago but still the "dignity" of the subject for the most part demands that the reader be specifically looking for this section or he can pass it completely. It doesn't "command" his attention as does a full page screaming for a new cigarette brand or a new "sports touring" model of Detroit Iron. Depending on the city or community in which this morning paper is published, the financial section will be more or less complete—that is complete according to the best efforts of the staff and of the readers' demand and, of course, the editors' and publishers' desires. He gets closing stock prices on major exchanges—over-the-counter stock quotes—some bond quotes—in many cases these so far from reality and actual markets as to make them the bane of a trader's existence. Occasionally he gets good news stories about yesterday's markets. These are hard to write because there probably wasn't really much news in the day—frequently observations which make the underwriters cringe and the customers go back into their holes for six more weeks of winter—and all too often nothing that really adds to the PUBLIC EDUCATION of the Uninformed American Taxpayer who is also THE AMERICAN INVESTOR.

The improvement in financial pages in the past 10-15 years is largely a result of the public relations programs which have been promulgated by various investment organizations such as the N. Y. Stock Exchange, the Mutual Funds trade organization, plus the "sales efforts" of big business to inform the Investing American Taxpayer concerning the merits of being a stockholder. It would be a remiss not to include the magnificent job which has been done by our great life insurance companies and the industry associations in this field and to overlook the sales job of the Savings Banks and Savings and Loan Associations would be equally erroneous.

### Cost of Public Relations

I wonder if you have any idea of the amount of money which these various organizations spend on an annual PUBLIC EDUCATION program? A few years ago when the committee, of which I am privileged to serve as Chairman, was trying to get our Municipal program approved by the IBA Board of Governors, we explored a little and found that the NYSE had a budget in high six figures as did the Mutual Funds association. This was completely exclusive of the expenditures of individual member firms or distributors of the Mutual Funds. Of course, part of this original outlay is recovered by the sale to members of material for their use in direct mail, etc.—just as we in the Municipal Program have done with our first mail piece, "Why Professional People Invest in Municipal Bonds." By the way, this folder has been used to date by more than 135 IBA firms which have ordered more than 135,000 copies. One-quarter have reordered. While we weren't successful in our efforts to get enough money to really compete with these other programs—we did get enough to get started and we are rather proud of what has been done to date and what is ready to be done in the immediate future.

You may gather from the foregoing observations that I do not think highly of the efforts of our public press to do an educational job on the Uninformed American Taxpayer as an investor. If I gave that impression please let me correct it immediately—instead I feel that we in the Investment Banking industry have failed to a great degree to provide these publishers with the kind of news that makes it possible for them to do a real job for their paper and for the taxpayer and for US.

Of course, if you are about to bring out a hundred million dollar negotiated bridge or turnpike deal or if there has been a drastic change in the method of allocating state aid to school districts there is real reason for a news story, and in the major financial centers, the papers do a real job of coverage—but when you realize that there are 1,716 daily newspapers printed, what percentage of these do you imagine do a good job? When you realize that of these dailies only 312 are morning papers and some 1,458 go home after work with the Uninformed American Taxpayer—where he and his family as well have a chance to be exposed to the contents, you can readily see what a great outlet our daily papers offer to provide Public Education on Municipal Securities. The Washington office of the IBA now furnishes new releases to some 1,300 of these papers on industry-wide subjects such as Federal Aid, Mass Transit, IBA ad contests, etc. It might be interesting to know how many of you find these releases used in your hometown paper? I would be pleased to know if you recognize them.

### Advertising in the Weekly Papers

These daily papers have somewhat limited space to cover local community activities of the suburban communities in their coverage areas. However there are also in our good country, some 9,000 English language weekly and bi-weekly papers of which some 3,000 could be of great service to the Municipal Bond industry as they are local suburban papers "the champions" of the civic improvements, the sounding board for town council, the reporter for the Parent-Teachers Association and the best possible medium for the dissemination of sound information for the education of the Uninformed American Taxpayer and Investor. These are the papers which will welcome factual material concerning the proper methods of accomplishing a new school program or the new sewer system or water works. It is for these folks particularly as well as the "big dailies" that John Nash and your committee are preparing a series of stories which we hope can be adapted to fit local situations, and which have the proper technical information covering bond issues — directed both to the information of the voter—and the investor for—HE IS THE SAME PERSON.

These suburban papers provide an opportunity to reach a new group of taxpayer-investors—the folks who just moved from the city to the suburbs — just got "over the hump" from the struggle of keeping up with the rent collector and now join their neighbors in that greatest of all American struggles "keeping up with the Joneses." They must be taught about their community—about its progress and about their opportunity to make a double personal contribution—first to the development of the community by paying taxes — and second — to their own future well-being by investing in the securities issued to provide the new school, road or sewer. What better medium for you, Mr. Bond Man, than to run your latest advertisement—perhaps one of the series which you will find released as of now on our display board in the lobby in your local "Bugle." This series of sample ads which John Nash and your committee have prepared for your consideration are intended for newspaper and magazine use after adaption by your advertising department or agency to fit your program. They are—we believe appealing, corny to some degree, as you and me, and technically correct—and they do provide, we know, good reader appeal. A sample of this AD Kit will be in your office when you get back from this meeting—look it over—order mats if they will serve you or turn the material over to your advertising man or agency or your newspaper . . . and learn well from the catchy appeal John Nash developed for the folder . . . "NOTHING VENTURED—NOTHING GAINED." . . . Remember you and all of us in the municipal business are competing for the investor dollar with folks who are spending millions—we, however, happen to have a product, the quality, flexibility and sales appeal of which cannot be equaled — IF — WE HAVE ACCOMPLISHED AN INFORMED AMERICAN TAXPAYER as an INVESTOR.

### Results of Advertising

Just how well do these advertising programs produce? That is a difficult question to answer but let me read you part of a letter recently received, as a result of a survey we conducted, from one firm that has numerous entries in

Continued on page 17

John A. Albertson, *Baker, Simonds & Co., Inc.*, Detroit; George L. Hamilton, *Dominick & Dominick*, New York; Newman L. Dunne, *Robert W. Baird & Co.*, Milwaukee; William H. Clark, *Merrill, Turben & Co., Inc.*, Cleveland

William C. B. Magoun, *Bacon, Whipple & Co.*, Chicago; John M. Shanahan, *Cruttenden, Podesta & Miller*, Chicago; Gordon L. Calvert, *Investment Bankers Association*, Washington, D. C.; Walter H. Stohl, *Fidelity Union Trust Company*, Newark, N. J.

# Attended the Conference

**ABSHIRE, FRANCIS I.**
Moroney, Beissner & Co., Houston
**ABY, STANTON**
Kalman & Company, Inc., Minneapolis
**AGARD, ROLLIN F.**
Kansas Bond Advisory Council, Topeka
**AGEE, RUCKER**
Sterne, Agee & Leach, Birmingham
**AHEARN, JOHN W.**
State Street Bank & Trust Co., Boston
**AKIN, HAROLD E.**
Kuhn, Loeb & Co., New York
**ALBERTSON, JOHN A.**
Baker, Simonds & Co., Inc., Detroit
**ALEXANDER, TED R.**
Texas Bank & Trust Company of Dallas, Dallas
**ALLEMAN, FERG M.**
Leedy, Wheeler & Alleman, Inc., Orlando
**ALLISON, M. E.**
M. E. Allison & Co., Inc., San Antonio
**ALTGELT, E. J.**
Harris Trust and Savings Bank, Chicago
**ANDERSON, EDMUND G.**
B. J. Van Ingen & Co., Inc., Boston
**ANDERSON, HERBERT D.**
United California Bank, Los Angeles
**ANDERSON, WESLEY J.**
Allison-Williams Company, Minneapolis
**ARMBRUST, JOHN J.**
Pohl and Co., Inc., Cincinnati
**ARNOLD, ROLAND L.**
The National City Bank of Cleveland, Cleveland





**ARNSPIGER, S. D.**
Rowles, Winston & Co., Houston
**AUSTIN, J. HOLLIS**
J. W. Tindall & Company, Atlanta
**BANCROFT, E. M.**
Stranahan, Harris & Company, Toledo
**BARBER, B. NEWTON**
W. H. Newbold's Son & Co., Philadelphia
**BARKER, FRED F.**
J. A. Hogle & Co., Denver
**BARNARD, RICHARD P.**
New England Merchants National Bank, Boston
**BARROW, WM. R.**
Barrow, Leary & Co., Shreveport
**BARROWCLOUGH, GEORGE L.**
First of Michigan Corporation, Chicago
**BARRY, DAVID J.**
Manufacturers Hanover Trust Co., New York
**BARTLETT, CRAIG S.**
Manufacturers Hanover Trust Co., New York
**BAUMANN, JOHN F.**
The Milwaukee Company, Milwaukee
**BECHTEL, CHARLES C.**
Watling, Lerchen & Co., Detroit
**BECK, EDWIN L.**
Commercial & Financial Chronicle, New York City
**BENNETT, DELTON**
Dewar, Robertson & Pancoast, San Antonio
**BERGQUIST, P. ALDEN**
The First National Bank of Chicago, Chicago
**BINGHAM, CURTIS H.**
Bingham, Walter & Hurry, Inc., Los Angeles
**BIRELY, WILLIAM C.**
Birely and Company, Washington
**BLACKIE, BRUCE A.**
Fulton, Reid & Co., Inc., Cleveland
**BLACKWOOD, RICHARD W.**
Ranson & Company, Wichita
**BLACKWOOD, W. H., Jr.**
Citizens & Southern National Bank, Atlanta
**BLEWER, CLARANCE F.**
Blewer, Glynn & Co., St. Louis
**BONEY, JACK R.**
Ryan, Sutherland and Company, Toledo
**BONNIWELL, DONALD R.**
Cruttenden, Podesta & Miller, Chicago
**BORGMEYER, ELMER F.**
Mercantile Trust Company, St. Louis
**BOYDE, D. HUDSON**
Johnson, Lane, Space & Co., Inc., Augusta
**BRADLEY, DAVID F.**
Milburn, Cochran & Company, Inc., Wichita
**BRAMHALL, GEORGE**
Eastman Dillon, Union Securities & Co., New York
**BROWN, CLAYTON F.**
The Northern Trust Company, Chicago
**BROWN, LAWRENCE H.**
The Northern Trust Company, Chicago
**BROWN, STEVE**
Barret, Fitch, North & Co., Kansas City
**BROWN, WILLIAM T.**
C. J. Devine & Co., Chicago
**BROWNE, ALAN K.**
Bank of America, N. T. & S. A., San Francisco
**BRYAN, TAYLOR**
Reinholdt & Gardner, St. Louis
**BUCHAN, ANDREW D.**
Bacon, Whipple & Co., Chicago
**BUELTMAN, EDWIN A.**
Blair & Co., Incorporated, New York
**BURKHAM, ELZEY G.**
G. H. Walker & Company, St. Louis
**BURKHOLDER, H. FRANK**
Equitable Securities Corporation, Nashville
**BUTERA, ANTHONY**
National State Bank of Newark, Newark
**BYRAM, JOHN P.**
Northern Trust Co. of Chicago, New York
**BYRNE, WILLIAM D.**
Phelps, Fenn & Co., New York
**CADY, CHARLES E.**
Cady & Company, Inc., Columbus
**CALVERT, GORDON L.**
Investment Bankers Association, Washington
**CAMPBELL, DOUGLAS H.**
First of Michigan Corporation, Detroit
**CAREY, TERENCE M.**
Goodbody & Co., Chicago
**CARMEL W. E.**
Field, Richards & Co., Cleveland
**CARPENTER, EDWARD E.**
McDougal & Condon, Inc., Chicago
**CARR, FRANK C.**
John Nuveen & Co., Chicago
**CARTER, THOMAS L.**
Loewi & Co., Incorporated, Milwaukee
**CHAMBERS, MICHAEL T.**
R. W. Pressprich & Co., New York
**CHESTON, EUGENE M.**
Drexel & Co., New York
**CHRISTY, WILLIAM L.**
Reynolds & Co., Chicago
**CLARK, HAROLD W.**
The Cherokee Securities Co., Nashville
**CLARK, JACK**
Wachovia Bank & Trust Company, Winston-Salem
**CLARK, JOSEPH F.**
Municipal Finance Officers Council of U. S. & Canada, Chicago
**CLARK, WILLIAM H.**
Merrill Turben & Co., Inc., Cleveland
**CLAUSON, JOHN K.**
Goldman, Sachs & Co., Chicago
**CLAYTON, JOHN B.**
First National Bank in Dallas, Dallas
**CLEAVE, WALTER C.**
Blyth & Co., Inc., Chicago
**CLELAND, JOHN D.**
Seltsam, Hanni & Co., Inc., Topeka
**COATS, GLENN B.**
The First National Bank of Fort Worth, Fort Worth
**CONAGHAN, JOHN J.**
Continental Illinois National Bank & Trust Co., Chicago
**COOK, ALEXANDER W.**
White, Weld & Co., Chicago
**COOK, R. J.**
Wm. J. Mericka & Co., Cleveland
**COOK, ROBERT H.**
B. J. Van Ingen & Co., Miami
**CORBETT, W. J.**
Burns, Corbett & Pickard, Inc., Chicago
**CORRIGAN, BRIAN**
Stockyards National Bank, Wichita
**COUFFER, JAMES G.**
Drexel & Co., New York
**COUGHLIN, JAMES M.**
Coughlin and Company, Inc., Denver
**COUGHLIN, WALTER J.**
Coughlin and Company, Inc., Denver
**COWEE, ROBERT L.**
Dempsey-Tegeler & Co., Inc., St. Louis
**COX, CECIL J.**
Columbian Securities Corp of Texas, San Antonio
**COX, CLARK**
Harris Trust and Savings Bank, St. Louis
**CRAIGIE, Jr., WALTER W.**
F. W. Craigie & Co., Richmond
**CRAIGIE, Sr., WALTER W.**
F. W. Craigie & Co., Richmond
**CRAWFORD, HENRY J.**
Squire, Sanders & Dempsey, Cleveland
**CRAWFORD, WILLIAM W.**
W. L. Lyons & Co., Louisville
**CREMER, GLENN N.**
Bank of America, N. T. & S. A., San Francisco
**CROSS, JOSEPH G.**
C. J. Devine & Co., New York
**CROWE, MARTIN J.**
First National Bank in St. Louis, St. Louis
**CUNNINGHAM, ROBERT J.**
Singer, Deane & Scribner, Pittsburgh
**CURLEY, FRANK E.**
Hawkins, Delafield & Wood, New York
**CUTLER, PAUL WM.**
Chapman and Cutler, Chicago
**DARMSTATTER, E. WM.**
Stifel, Nicolaus & Co., Inc., St. Louis
**DAVIS, CLARENCE F.**
The First Cleveland Corporation, Cleveland
**DAVIS, DEWITT**
Mullaney, Wells & Company, Chicago
**DAVIS, PHILLIP W.**
Paine, Webber, Jackson & Curtis, Chicago
**DAVIS, ROBERT G.**
Piper, Jaffray & Hopwood, Minneapolis
**DEELEY, WILLIAM E.**
A. C. Allyn & Co., Chicago
**DeMILHAU, JOHN W.**
The Chase Manhattan Bank, New York
**DEMPSEY, EDWARD J.**
Bacon, Whipple & Co., New York
**DEMPSEY, JOHN P.**
Kidder, Peabody & Co., Philadelphia
**DERREY, ROBERT F.**
Barr Bros. & Co., New York
**DEVLIN, WILLIAM A.**
Reynolds & Co., New York
**DeWITT, GERALD T.**
Kidder, Peabody & Co., New York
**DILLINGHAM, R. N.**
Dabbs Sullivan Company, Inc., Little Rock
**DINKINS, LADD**
Ladd Dinkins & Company, New Orleans
**DOKE, RICHARD**
Shearson, Hammill & Company, Chicago
**DONOVAN, JOHN M.**
Mellon National Bank & Trust Co., New York
**DORAN, K. I.**
Mortgage Investment Corp., Richmond
**DORE, WILLIAM F.**
Kuhn, Loeb & Co., New York
**DOWLEY, GEORGE F.**
C. J. Devine & Co., San Francisco
**DOWNEY, NORMAN S.**
Eastman Dillon, Union Securities Co., New York

R. J. Cook, *Wm. J. Mericka & Co., Inc.*, Cleveland; William A. Devlin, *Reynolds & Co.*, New York; John W. de Milhau, *The Chase Manhattan Bank*, New York; Wallace Sellers, *Merrill Lynch, Pierce, Fenner & Smith Incorporated*, New York; O. Jack Talbot, *Northwestern National Bank of Minneapolis*

Russell M. Ergood, Jr., *Stroud & Company, Incorporated*, Philadelphia; Curtis H. Bingham, *Bingham, Walter & Hurry, Inc.*, Los Angeles; Walter A. Schmidt, *Schmidt, Roberts & Parke*, Philadelphia; George B. Wendt, *First National Bank*, Chicago

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A. G. Becker & Co., Incorporated, Chicago
DUDDY, THOMAS E.
Lehman Brothers, Chicago
DUMPER, WILLIAM J.
Harris Trust and Savings Bank, New York
DUNN, STEWART A.
C. J. Devine & Co., New York
DUNNE, NEUMAN L.
Robert W. Baird & Co., Milwaukee
EATON, ELMER C.
Paine, Webber, Jackson & Curtis, New York
EBBITT, KENNETH C.
Shelby Cullom Davis & Co., New York
EDNER, CLARENCE F.
First Western Bank & Trust Company, Los Angeles
EDWARDS, JOHN H.
R. J. Edwards, Inc., Oklahoma City
ELLIS, JOE W.
First Southwest Company, Dallas
ELLSON, WILLIAM E.
Morgan Guaranty Trust Company, New York
ELLSWORTH, SHERMAN
Wm. P. Harper & Son & Company, Seattle
ENGSTROM, JOHN J.
Ranson and Co., Inc., Wichita
ERGOOD, RUSSELL M.
Stroud & Company, Incorporated, Philadelphia
EVANS, PEYTON
Cumberland Securities Corporation, Nashville
FARRA, JOHN B.
W. E. Hutton & Co., Lexington
FAUST, JOHN N.
Kidder, Peabody & Co., Chicago
FINCH, DAVID S.
The First National Bank of Chicago, New York
FISHER, CHARLES N.
Singer, Deane & Scribner, Pittsburgh
FITTERER, JOHN C.
Wertheim & Co., New York
FITZGERALD, WALTER J.
R. W. Pressprich & Co., Chicago
FLECHT, ELMER
E. L. Villareal & Company, Little Rock
FLOSI, FRED C.
Smith, Barney & Co., Chicago
FOSDICK, JOHN JAY
Eddleman, Pollok & Fosdick, Inc., Houston
FOSTER, BYRON C.
Westheimer & Company, Cincinnati
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Merrill Lynch, Pierce, Fenner & Smith Inc., San Francisco
FREDERICK, PAUL
Fahnestock & Co., New York
FREDERKING, WILBUR H.
Fridley & Frederking, Houston
FRIDAY, WILFRED J.
Hornblower & Weeks, Detroit
FRIEND, ARTHUR S.
Folger, Nolan, Fleming & Co., Washington
FRIEND, WALTER W.
R. W. Pressprich & Co., New York
GALLAGHER, FRANCIS P.
W. H. Morton & Co., Incorporated, New York
GALLAGHER, JAMES P.
Rodman & Renshaw, Chicago
GARLAND, CHARLES S.
Alex. Brown & Sons, Baltimore
GASKELL, THEODORE A.
Hayden, Miller & Co., Cleveland
GENTRY, EDWIN
Pierce, Carrison, Wulbern, Inc., Birmingham
GERKEN, CHARLES H.
Salomon Brothers & Hutzler, Chicago
GILBERT, R. R.
Sanders & Company, Dallas
GILLIAM, MURRAY C.
C. H. Little and Company, Jackson
GINTHER, NELSON D.
Ginther & Company, Cleveland
GOODWIN, ARTHUR E.
Johnston, Lemon & Co., Washington
GORDON, RICHARD D.
The Bank of California, N. A., San Francisco
GORMAN, ARTHUR C.
The First National Bank of Chicago, New York
GREEN, GEO. H. C.
Liberty National Bank & Trust Company, Oklahoma City
GREEN III, GEO. H. C.
Liberty National Bank & Trust Company, Oklahoma City
GREET, JOHN M.
McClung & Knickerbocker, Inc., Houston
GREGORY, ROBERT H.
Gregory & Sons, New York
GUASTELLA, ARTHUR R.
The Bond Buyer, New York
GUERNSEY, DAVID T.
B. J. Van Ingen & Co., Inc., New York
GUMBINER, DONALD L.
Stern Brothers & Co., Kansas City
GUNTHER, JOHN J.
United States Conference of Mayors, Washington
HALL, DENTON D.
Spencer Trask & Co., New York
HALL, GEORGE W.
Wm. E. Pollok & Co., Inc., New York
HALL, RICHARD A.
The First National Bank of Boston, Boston
HALL, WILLIAM K.
Francis I. du Pont & Co., Chicago
HAMILTON, GEORGE L.
Dominick & Dominick, New York
HAMILTON, ROBERT E.
Laidlaw & Co., New York
HAMMOND, W. H.
Braun, Bosworth & Co., Chicago
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Ira Haupt & Co., New York
HANDS, H. W.
Boettcher and Company, Chicago
HANSON, MURRAY
Investment Bankers Association, Washington
HARDING, WILLIAM G.
Coffin & Burr, Boston
HARRIS, I. DOUGLAS
Henry Harris & Sons, Inc., New York

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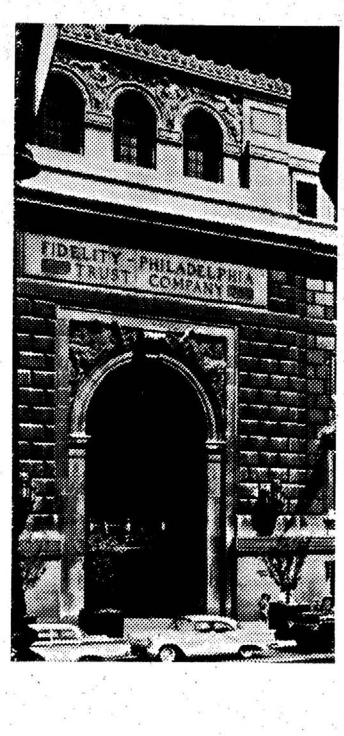
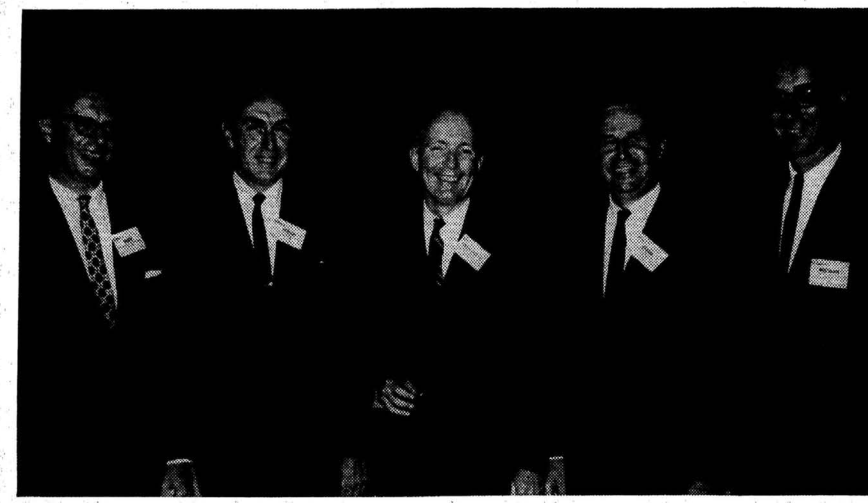


Bill Noonan, *Continental Illinois National Bank & Trust Co.*, Chicago; Marsom B. Pratt, *Estabrook & Co.*, Boston; Alan K. Browne, *Bank of America, N. T. & S. A.*, San Francisco; Walter A. Schmidt, *Schmidt, Roberts & Parke*, Philadelphia; John Perkins, *Continental Illinois National Bank & Trust Company*, Chicago



Donald D. Miner, *Chemical Bank New York Trust Company*, New York; Kenneth J. Sickler, *Chase Manhattan Bank*, New York; Francis P. Gallagner, Jr., *W. H. Morton & Co. Inc.*, New York; John P. Byram, *The Northern Trust Company*, New York; Richard F. Mulligan, *Robert Garrett & Sons*, Baltimore

# Investment Banking

*Continued from page 3*

ities, services, taxes, and into all of their other economic and social implications, it seems to me that all of us can be very proud of the vital role which our business has played and is playing in our economic, social and political system as we know it today.

**Medina Quotation**

I understand, however, that you municipal men are unimpressed by figures and arguments unless they are accompanied by an unqualified legal opinion; I have one for you in point, and I quote:

"It would be difficult to exaggerate the importance of investment banking to the national economy. The vast industrial growth of the past fifty years has covered the United States with a network of manufacturing, processing, sales and distributing plants, the smooth functioning of which is vital to our welfare as a nation. They vary from huge corporate structures such as the great steel and automobile companies, railroads and airlines, producers of commodities and merchandise of all kinds, oil companies and public utilities, down to comparatively small manufacturing plants and stores. The variety and usefulness of these myriad enterprises defy description. They are the result of American ingenuity and the will to work unceasingly and to improve our standard of living. But adequate financing for their needs is the life blood without which many if not most of these parts of the great machine of business would cease to function in a healthy, normal fashion."

That quotation is taken for the first paragraph of Judge Medina's opinion in the so-called Investment Bankers Anti-Trust case. Need I say more on this point.

It must be equally obvious, however, that we cannot just rest on our oars and assume that the water will always be placid.

Our industry's place in the world of commerce is assured only so long as we continually develop our main asset, the ability to raise capital through the distribution of securities. This ability, which no one else possesses, in like degree, must be conducted with the highest degree of integrity. We cannot and must not fail for we have all noted the tendency of the Federal Government to be ever eager to step in where the private sector fails, and in many areas where it hasn't. It seems to me, therefore, that it behooves each and every one of us to take every appropriate action to make our particular segment of the economy tick. We must all work to remove unnecessary impediments to our capital markets, and for a tax structure which will provide necessary revenues but, at the same time, make for a business climate which encourages savings and investment. Such a happy situation would not only be good for us selfishly but, I am certain, in the long run it would be in the best interest of our economy and way of life.

It seems to me that those of you operating in the municipal area have special opportunities and obligations of like kind. In my judgment the founding fathers devised for our government an admirable system of checks and balances, both within the Federal Government and between the Federal, State and local governments. I would hope that we can ever keep it so. However, in spite of the tremendous job which the states and municipalities, with your help, have done, particularly since World War II, in financing local public facilities of all types, we have an ever increasing number of Federally subsidized programs edging in. You will doubtless get a play by play account in this area from John Mitchell[1] so I shall only say be ever watchful of the attempts which have been, are being, and will be made to have Washington usurp your function. I have been deeply impressed by the overall effectiveness of your work in this area to date but I would point out that you cannot rest on your accomplishments.

Just one final comment.

The major challenge facing the U. S. economy and in turn ourselves, is to continue to demonstrate to a skeptical world that our free market economy, although confronted with new and vexing problems, still provides the best and only lasting answer to the material needs of men. If I may be permitted one last quotation, I would like to refer to one from a speech made by Bob Garner, former President, IFC. The theme of his speech delivered in Denmark last year was entitled "Will Private Enterprise Fight to Survive — Communists Determined to Destroy Us." Bob made many fine points in this talk but I particularly noted his admonitions to business. The quote is a simple one: "Private business faces the danger of being destroyed because of poor public relations."

It is not enough for private business to manufacture its products efficiently or render its services effectively. Today businessmen must also be able to convince others—the politicians, the press, the educators and churchmen, and finally the voters, that our system performs its economic function better than any other system. It is an educational task all of us must assume.

We have the best product to sell. Our standard of living is proof of that. It has accomplished what socialism merely promises for some indefinite future.

I hope you all take to heart some of these observations and translate them into action. Our industry is based on integrity and honesty and competence. It is an industry in which a man's word is as good as his bond. No other industry can boast of the tremendous volume transacted each day by word of mouth. The great preponderance of people in our industry are ethical and sincere. But the transgressions of a few reflect on the entire industry. Unfortunately, our industry is not generally publicized for its great contributions to the free enterprise system, to which I have just referred, for the vital part we play in providing capital to our industry and municipalities. I am afraid our image, rather, has been and is fashioned by publicity on the sensational, the amassing of a great fortune, the fight for control of a company, the failure of a company, or the misdeeds of a relatively few people engaged in our industry. Thus far this year I have made a special effort to get across this point at various meetings I have had with the press. Where we have had time to talk things out, these efforts have been very much worthwhile. I recommend, therefore, that each of you take it upon himself to do likewise with your local financial editors and reporters if we are to present to the public, in perspective, the true image of our industry.

[1] Mr. Mitchell's address appears elsewhere in this issue.

*From a talk by Mr. Bingham before the First Municipal Conference, Chicago, Ill., Sept. 11, 1962.

Gary MacLeod, *Pacific Northwest Company*, Seattle; S. D. Arnspiger, *Rowles, Winston & Co.*, Houston; Stuart Stevenson, *Bankers Trust Company*, New York; C. D. Swanson, *Hooker & Fay, Inc.*, San Francisco

John Jay Fosdick, *Eddleman, Pollok & Fosdick Inc.*, Houston; Glenn R. Schultz, *Continental Illinois National Bank & Trust Company*, Chicago; John K. Clauson, *Goldman, Sachs & Co.*, Chicago; John F. Terry, *Saunders, Stiver & Co.*, Cleveland; Fred F. Barker, *J. A. Hogle & Co.*, Denver

William M. Marlin, *Bache & Co.*, New York; Byron J. Sayre, *Ira Haupt & Co.*, Chicago; Drayton Nabers, *First National Bank*, Birmingham, Ala.; Arthur S. Friend, *Folger, Nolan, Fleming & Co., Inc.*, Washington, D. C.

Paul E. Uhl, *United California Bank*, Los Angeles; Robert J. Zimmer, *First National Bank*, Chicago; Arthur C. Gorman, *First National Bank of Chicago*, New York; George F. Dowley, *C. J. Devine & Co.*, San Francisco

John H. Kramer, *Harriman Ripley & Co. Incorporated*, New York; Tom W. Masterson, *Underwood, Neuhaus & Co., Inc.*, Houston; Lewis F. Lyne, *Mercantile National Bank at Dallas*

E. H. Davis, *John Nuveen & Co.*, Chicago; Wilfred J. Friday, *Hornblower & Weeks*, Detroit; J. David Everard, *John Nuveen & Co.*, New York

R. V. Wehrheim, *Philadelphia National Bank*, Philadelphia; William N. Robertson, *Marine Trust Company of Western New York*, New York; J. E. O'Sullivan, *Philadelphia National Bank*, Philadelphia

# Federal Legislation in the Field of Municipal Finance

*Continued from page 5*

Act of 1949, is the second oldest and largest of the Federal air programs under consideration. It is administered by the Urban Renewal Administration under direction of the Administrator of the Housing and Home Finance Agency and provides temporary and definitive loans and capital grants to local public agencies for the purpose of carrying out urban renewal projects, generally consisting of the acquisition and clearance of land, installation thereon of utilities, facilities and improvements and the disposition of such land for controlled reuse, in most cases by private enterprise. Temporary loans are made for the purpose of paying the gross project cost; definitive loans to cover the value of land retained by the local public agency, and capital grants to pay two-thirds (or three-fourths in the case of certain designated areas) of the net project cost, the same being the difference between the total project cost and the aggregate of the sales prices of land and property sold and capital values imputed to property retained by the local public agency. The local public agency is obligated to pay or provide the other one-third or one-fourth of net project cost, which may be in the form of cash, land or certain public buildings and facilities. At last report, nearly four billion dollars of urban renewal funds had been committed by the Administrator for more than 900 separate projects.

**Private Urban Renewal Financing**

Private financing has had and will continue to have a part in providing monies to carry out urban renewal projects. In addition to the purchase of obligations issued by the States and their political subdivisions to provide funds required to make the local grants-in-aid, private investors have also purchased obligations issued by local public agencies in lieu of availing themselves of Federal loans at higher rates. Such financing is expressly provided for in the Federal urban renewal legislation in that contracts for Federal loans may be made subject to the condition that, if at any time or times or for any period or periods during the life of the loan contract the local public agency can obtain loan funds from sources other than the Federal Government at interest rates lower than provided in the loan contract, it may do so with the consent of the Administrator at such times and for such periods without waiving or surrendering any rights to loan funds under the contract, and, in such case, the Administrator is authorized to consent to a pledge by the local public agency of the loan contract as security for the repayment of the principal of and interest on the loan funds so obtained.

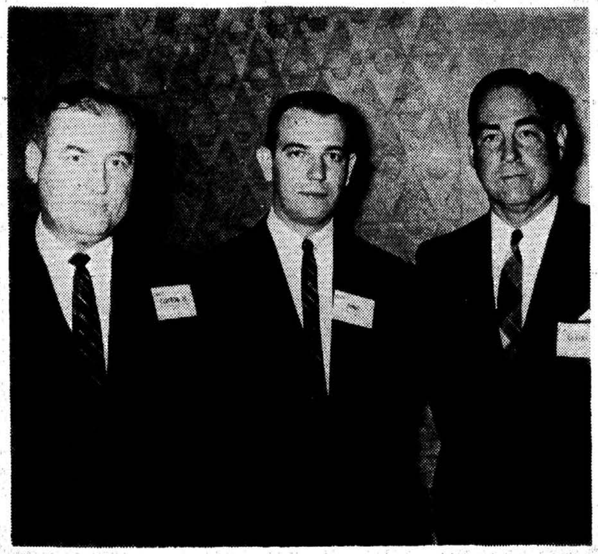
The foregoing statutory provision accommodates both short- and long-term financing under the "requisition agreement" procedure mentioned above in connection with temporary financing of the low-rent housing program. Hundreds of millions of dollars of "Preliminary Loan Notes" so secured have been issued and will be issued to provide funds to pay gross project costs. The requisition agreement method of financing has also been employed to secure definitive obligations issued by a local public agency to provide funds equal to the imputed value of land in a project retained by the local public agency. The principal applied in this definitive financing was substantially the same, the term of the loan and requisition agreement being longer. Additional long term financing of this type will undoubtedly be forthcoming as more local public agencies retain title to land for lease to redevelopers and provision must be made for payment of the imputed value in reduction of gross project cost.

It is interesting to note that the provisions for private financing under the Federal urban renewal legislation provide for the only tax-exempt direct obligations of the Federal Government currently being issued. By legislation enacted in 1961, provision is made for a procedure, currently adopted, pursuant to which the Federal Government agrees to pay or cause to be paid when due the principal of and interest on the obligations issued by the local public agency and pledges the full faith and credit of the United States to such payments.

**Most Controversial Program**

Perhaps the most controversial Federal program now on the legislative books, in so far as the Investment Banker is concerned, is that of the Community Facilities Administration. This program was enacted in 1955 as a substitute for the existing RFC program. The basic authorization of this program is the providing of Federal loans to municipalities and instrumentalities to finance projects for public works and facilities. The program is confined by law to localities under 50,000 population, or under 150,000 population if they are located in an economically depressed redevelopment area. The law further provides that the loans shall not be made unless the financial assistance applied for is not otherwise available on reasonable terms. The loan rate, to be determined by the Administrator, has been established under a formula related to the cost of the money the agency must borrow from the U. S. Treasury reflecting the average annual interest cost of the entire interest-bearing debt of the United States.

The 1955 legislation authorized an aggregate of $100,000,000 in loan funds, to which was added an additional $50,000,000 in 1960. Under the Housing Act of 1961, the total authorization was set at $650,000,000 with $50,000,000 earmarked to finance the acquisition, construction, reconstruction and improvement of facilities and equipment for use in mass transportation service in urban areas. Upwards of $150,000,000 of such loans have been approved since the inception of the program. A comparable program exists under the Area Redevelopment Act of 1961 administered by the Area Redevelopment Administration in the Department of Commerce. This program authorizes $75,000,000 in grants for public facilities in designated depressed areas, if the projects cannot be undertaken without such assistance, and $100,000,000 in loans for similar projects, if the funds are not otherwise available on "reasonable terms". The CFA also administers a pro-



John B. Clayton III, *First National Bank*, Dallas; Joseph F. Zunic, *Thomas & Company, Pittsburgh;* R. R. Gilbert, Jr., *Sanders & Company*, Dallas

George B. Wendt, *First National Bank*, Chicago; Pat G. Morris, *The Northern Trust Company*, Chicago; Thomas E. Morris, *United California Bank*, Los Angeles

Kenneth C. Ebbitt, *Shelby Cullom Davis & Co.*, New York; James F. Reilly, *Goodbody & Co.*, New York; Terrence M. Carey, *Goodbody & Co.*, Chicago

gram of interest free advances to municipalities for the planning of certain public works. Construction costs of such projects may or may not be financed by CFA definitive loans.

As stated before, in the administration of the CFA program, the Administrator is required to set the loan rate and to determine the availability of private financing on reasonable terms. In establishing lending rates the Administrator has based the same on the rate charged the agency by the U. S. Treasury plus additional amounts to cover administrative costs and to provide reserves. As of July 1, 1962, the beginning of a new Federal fiscal year, the Administrator increased the general CFA loan rate from 3⅝% to 3¾% and the loan rate in depressed redevelopment areas from 3½% to 3⅝%. Similarly, for the purpose of determining the availability of private financing on reasonable terms, as of July 1, 1962, the Administrator has set the rate at 4% for general CFA loans maturing 30 years or longer, and at 3¾% for similar maturities on loans in redevelopment areas. For shorter term loans or for blocks of earlier maturities, the reasonable interest rate benchmark is reduced by ⅛% for each 5 year reduction in the length of the loan.

### Other Housing Programs

A second loan program administered by the Community Facilities Administration is the college housing program which provides loans to colleges and universities, both public and private, for living and dining accommodations for single students, for college unions, housing for married students and faculty members and to hospitals for housing student nurses and interns. In the past 10 year life of this program, the Agency has approved more than 1½ billion dollars of such loans. The current loan rate under this program is 3½%, also raised by ⅛% for the current Federal fiscal year.

In administering the public works and facilities loans and college housing loans, the CFA requires the lender to offer its obligations for public sale, with a standby bid of the CFA at the loan rate for all of the bonds offered, in blocks covering the first 10 years of maturity and in 5 year blocks subsequent thereto. Private underwriters have purchased a substantial volume of obligations by such block purchases at interest rates required to equal or be lower than the CFA loan rate.

Still another lending program administered under the HHFA is the Senior Citizens Housing program providing direct loans to private non-profit corporations, cooperatives and certain public bodies for rental housing for persons 62 years of age and older. The current loan rate of this program is 3½% also increased by ⅛% as of July 1, 1962. Congress has authorized loans for this program of $125,000,000 and appropriated $80,000,000 for the purposes of such loans. Pending legislation seeks to increase the loan authority of the HHFA under this program to $225,000,000.

### Current Congressional Legislation

Additional Federal legislation in the field of municipal finance is now being considered by the current Congress. Such legislation includes the proposed Urban Mass Transportation Act and a proposed Public Works Act. The final forms of such legislation have not been determined, as in the case of the proposed Mass Transportation Act not yet passed, the bills in the respective Houses vary, and, in the case of the proposed Public Works Act, the bills passed by the Houses must be reconciled. Generally, they provide in the case of the Mass Transportation Act, in addition to the existing $50,000,000 loan authority, for capital grant funds in the amount of $500,000,000 expendable over the next 3 year period, on a matching ⅔ Federal ⅓ local basis, to assist States and local public agencies, and public and private mass transportation companies, in financing the acquisition, construction and improvement of mass transportation facilities and equipment, and, in the case of the Public Works Act, for direct Federal appropriations to accelerate the construction of public works by States and their political subdivisions to overcome the present problem of unemployment. The amounts of the appropriations and methods and times of expenditure are still matters of disagreement between the Houses of Congress.

Any discussion of these Federal programs must necessarily consider the intrinsic merits of their purposes.

### Low Cost Housing Merits

Federally-aided low-rent public housing has provided decent, safe and sanitary housing for those who could not otherwise afford to pay for the same and which private enterprise could not afford to provide; through the requirement of equivalent elimination, has removed substandard and insanitary housing; has reduced required public expenditures for health, fire and police services and added to local tax resources in the project areas.

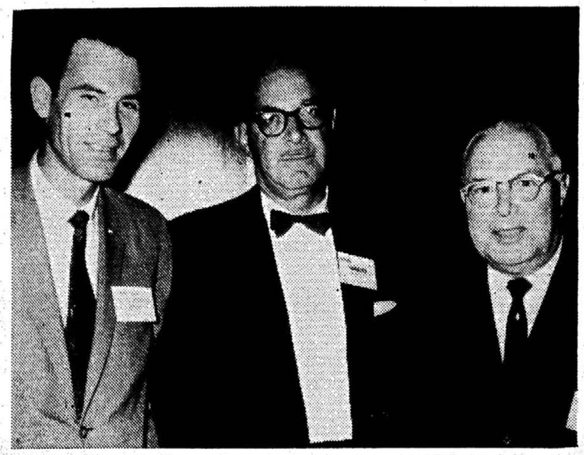
Federally-aided urban renewal is helping to save the core area of our cities, aid in the economic rehabilitation of such cities, remove blighted and deteriorated areas and added to the tax resources of our localities—at least with respect to the last mentioned item, certain investment bankers must think so as they have been underwriting Tax Allocation Bonds issued by local agencies in California payable solely from the increase in taxes after the redevelopment of a designated area.

Likewise, local public works and facilities, college and senior citizen housing, mass transportation facilities and other similar purposes, in most instances, are quite desirable. But—desirability is not the total question in considering Federal undertakings in these fields. Rather, the inquiry should be as to how and by whom the financial requirements of these programs should be provided.

I am sure that no argument would be raised here by a contention that all financial requirements, to the extent feasible, should be furnished by private capital. However, some of these programs require a subsidy to enable them to meet their objectives. This has been provided in some instances by the interest rate set on direct Federal loans; the same being below that available from private investors. While in some cases this practice may be justified, its application in others has been questionable and resulted in justifiable criticism. In the latter category, has been the administration of the CFA program for direct loans of local public bodies for public works. As noted above, the Administrator of this program has been authorized by law, within certain standards, to set the loan rates and prohibited from providing financial assistance "unless the financial

*Continued on page 16*

James F. Musson, *Newburger, Loeb & Co.*, New York; James E. Klingel, *Juran & Moody, Inc.*, St. Paul; Walter L. Rogers, *Mellon National Bank & Trust Company*, Pittsburgh



David Roche, *A. C. Allyn & Co.*, Chicago; Leonard Hanauer, *Ira Haupt & Co.*, New York; W. H. Hammond, *Braun, Bosworth & Co.*, Chicago

John S. Prosser, *Lehman Brothers*, San Francisco; William D. Byrne, *Phelps, Fenn & Co.*, New York; G. Carl Jordan, Jr., *R. W. Pressprich & Co.*, Boston

*Continued from page 15*

assistance applied for is not otherwise available on reasonable terms."

Criticism stems from the administrative practice of setting loan interest rates and benchmarks for the availability of private capital on reasonable terms for an entire fiscal year without regard to fluctuating markets; without regard to the investment quality of the obligations, not even making a distinction between general obligation and revenue bonds, and on the false premise that investment capital unreasonably discriminates against small communities in comparing interest rates available to the larger cities.

### CFA's Interest Rate Policy

The Investment Bankers Association has justifiably protested the manner of administration of this program in-so-far as it results in the Federal Government taking over a function of private industry in substituting Federal financing for that readily available from private sources at truly reasonable rates. The IBA established the falseness of the premise with respect to the discrimination against smaller borrowers upon which the program is based and has recommended that the yardstick for establishing "reasonable terms" for the availability of private capital be administratively set monthly in a realistic relationship to current market rates for comparable maturities and types of obligations and that the applicable statutory provisions be amended so that loans may be made only when private financing is not available at rates reasonable in relation to current market rates for comparable maturities and types of securities. These recommendations are most appropriate and should be followed. The action of the Administrator increasing the loan rates and bench marks for the availability of private capital on reasonable terms, as of July 1, 1962, while a step in the right direction, is not truly responsive to the problem.

### Blames States

Many have labeled the Federal aid programs as the invasion of States' rights. Others, and I believe more correctly, have recognized prevailing conditions as the result of the failure of the States to live up to their responsibilities. The recipients of Federal aid in the field of municipal finance are creatures of the States carrying out powers and programs under State legislative authority. When the States create these local public bodies and prescribe their powers, it is their responsibility to provide the financial means by which the authorized programs may be accomplished. This, unfortunately, has not been the case.

Domination of State legislatures by representatives of rural areas has resulted in almost complete failure to recognize the requirements of urban areas. Urbanization of our population has proceeded at such a rapid rate in recent years that currently more than half of the population of the United States now lives in less than 200 metropolitan areas. Failure of the States to recognize the needs of these metropolitan areas has turned the local public bodies from the State capitols and placed them in the tin cup brigade marching on Washington. There, cumulative pressures on Congress of urban representatives have produced what has failed to be provided by the State legislatures.

Frequently, in the discussion of this subject, one hears the argument that the Federal Government is the only entity with financial resources adequate to carry out these aid programs. Yet, those taking such position, and everyone else, knows—or should know—that it's the same taxpayers who are footing the bill. The difference is that when the Federal Government does it, the price is necessarily higher. The Federal Government can't do anything for nothing. It must charge for hauling the money to Washington, for sending some of it back to the States, and for fingering it in the meantime. And, with every dollar deducted, the expenditure of the balance becomes less responsive to the needs and wishes of the locality from whence it came.

### States Must Act

To reverse the present condition and continued trend, the States themselves must fully awaken to and act on their responsibilities and opportunities. The first step should be to remove state constitutional, statutory and administrative shackles that have prevented them and their political subdivisions from playing the proper role. Then, and only then, will the Federal Government surrender control of these programs which so properly belong with the States, and the sources of taxation which are necessary for their undertaking.

As you know, not all of the States have depended entirely on the Federal Government for financial assistance in the fields of local responsibility where such government has entered. While many illustrations might be provided, certain programs of the State of New York can make the point. New York pioneered in the field of low-rent public housing, starting in 1926, long before the first Federal program, and has provided hundreds of millions of dollars to its instrumentalities to finance the same. It did likewise in the field of governmental assisted middle-income housing prior to the consideration of a similar program in Washington. It is believed that, if the other States, where the need existed, had provided similar programs, there would not have been the necessity for and the Federal Government would not have provided a program in this field.

The inevitable conclusion is that the Federal Government has entered a field of functions which are those that should have been undertaken by the States and that this condition has been brought about, in most part, by the failure of rurally dominated legislatures to recognize the pressing problems and needs arising from accelerated metropolitan population growth. What then do we have to look forward to for a correction and reversal of this condition?

### Significance of Reapportionment Decision

In my opinion the recent decision of the United States Supreme Court in the landmark Tennessee reapportionment case may well result in a reversal of the tide and the restoration to the States of their rights and a resumption of their responsibilities. In that case the Court undertook to travel through the "political thicket" and held that voters could sue to force equitable representation in state legislatures. It has been reported that, in the five months since the decision came down, 53 law suits have been filed in 31 States; eight state legislatures have held special sessions and adopted reapportionment laws; 10 States have placed on the ballot in the November election proposed constitutional amendments providing for reapportionment; and by court suggestion or otherwise, reapportionment will be on the docket of most of the 47 State legislatures which will meet in 1963. Equitable reapportionment in favor of urban areas may not come swiftly or easily but it appears inevitable.

As reapportionment proceeds and control of State government shifts from the rural to urban areas, the legislatures and officials in administrative capacities will become more responsive to the needs and wishes of the metropolitan governments. Such response will undoubtedly provide the programs and means by which they may be financed and the necessity for the call upon the Federal Government should diminish to the point of elimination.

Current diplomatic negotiations may illustrate this point. Thus it is the hope that the resurrection of States' rights and States' responsibilities will end of the necessity for the Federal Government to fill the vacuum.

*An address by Mr. Mitchell before the First Municipal Conference, Chicago, Ill., Sept. 12, 1962.

Rollin F. Agard, *Kansas Bond Advisory Council*, Topeka; Rich Phillips, *White-Phillips Co., Inc.*, Davenport, Iowa; Clarke J. Robertson, *Chapman, Howe & Co.*, Chicago

Richard W. Blackwood, *Ranson & Co., Inc.*, Wichita, Kansas; David F. Bradley, *Milburn, Cochran & Co., Inc.*, Wichita; John S. Ranson, *Ranson & Co., Inc.*, Wichita

W. Wilson Lewis, *Blyth & Co., Inc.*, Chicago; Glenn N. Cremer, *Bank of America, N. T. & S. A.*, San Francisco; R. George Le Vind, *Blyth & Co., Inc.*, New York

# Public Education and Sales Promotion of Municipals

*Continued from page 9*

our Municipal Ad Contest. And if a plug is in order may I remind you that the final deadline for entries is **Sept. 30th.** I Quote:

"Our advertising in the various banking and financial newspapers has been of great assistance to us in having our firm well recognized in the area in which we operate and our salesmen report that this type of advertisement has been of substantial assistance to them in making calls. Being more specific, we have found that this type of advertising aids us in having new customers cognizant of our firm name and its activities and also gives our customers a better understanding of municipal bonds when our salesmen contact them.

"Our advertising in general newspapers and in municipal publications, such as the Louisiana Municipal Review and the Louisiana Police Jury Review, accomplishes all of the factors involved in No. 1 above and in addition, also assists us in our underwriting activities in that the issuing authorities in our area know of our firm and of its activities in the municipal bond field.

"As a concrete example of the success of our advertising program we would cite the statistic that our volume of business has been steadily increasing and we attribute this, certainly in part, to our consistent and rather extensive institutional advertising program."

Time does not permit me to explore with you radio and TV as a medium of Public Education—however, I am sure you are familiar with the reports of use of these media as presented in Erwin Boemhler's Education Bulletins distributed during the year. Both have great possibilities for our industry as a whole and for those member firms that can adjust their advertising budgets to include municipal bonds in their radio and TV programs. Oftentimes internal salesmanship is required to accomplish this phase.

### The Uninformed Salesman

The Uninformed American Salesman is the provider of OUR PAY CHECK—as the only profit that is ever made on a municipal bond comes when it is sold. Perhaps I am being somewhat unfair to a great many of the folks in the sales end of our business when I use the term uninformed . . . if I am I apologize to those who don't deserve that title . . . and address my remarks to that larger group who very definitely are members of the uninformed . . . many because "it has never paid me to learn about municipals" . . . "there is no profit to me in selling municipals" . . . "after you sell a guy municipals, he's gone . . . no trades . . . no swaps . . . go find a new customer" . . . I doubt the veracity of these opinions. First let me say that a good, well-informed, aggressive, ambitious, personable, municipal bond salesman has never had to borrow a dime for a cup of coffee . . . except on that rare occasion when in his rush to get to the office he forgot his wallet. He never hunts for a job —the job hunts for him—he never hunts for customers—as the real buyer — professionals — seek this fellow out to assist them in the proper investment of their funds. A municipal bond salesman who "knows his stuff" — facts — some figures — background — and has sound judgment of relative values, and the conviction to argue for his offering in comparison with others, is a very valuable asset to dealer and customer alike. The greatest number, however, of the thousands of registered representatives—Corporate salesmen and Fund salesmen, have never had the proper opportunity to acquire a "speaking acquaintance" with municipal securities as a proper part of almost every investment portfolio.

The average salesman approaches his prospect from the angle of the currently most popular investment approach—up until a few weeks ago this was **PROFIT** . . . or perhaps, for many, **GROWTH.** . . . Few took the more practical approach, that of assured TAX EXEMPT INCOME. . . . True, there may be good reason for this — smaller sales commissions being not the least . . . however, the lack of proper education on the subject plus lack of sales promotional efforts are of far greater significance.

If I may here make a personal observation, I abhor the use of high profit-marginal quality municipals as an inducement to salesmen to develop an individual municipal clientele. If the American economy continues its forward surge — and may that forever be the case—such financing will, of course, in most instances, be paid when due — and in the meantime have a market—be it as it may. However, if you will excuse an old-timer — 35 years come Sept. 27 — the high profit-marginal deals of the 'Twenties were the early defaults of the 'Thirties . . . and I still believe history is capable of repeating itself. It will be interesting to see who makes the market for these issues should we again repeat the 'Thirties.

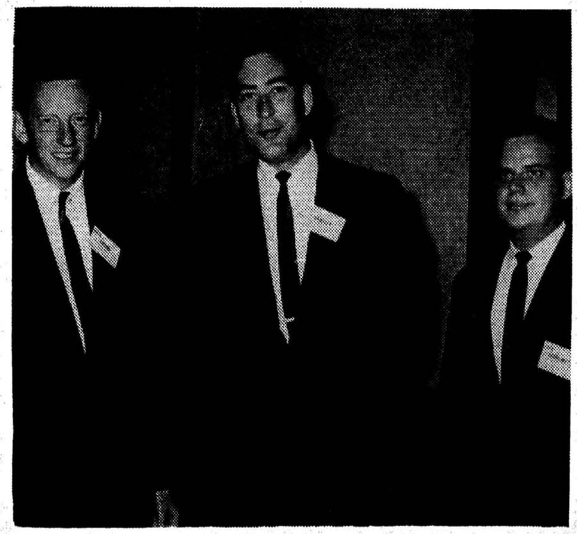
### The Overlooked Secondary Market

This observation brings me to the final phase of my remarks. And to what I believe is the most important and overlooked segment of the municipal business . . . the secondary market . . . which by the way Jack Kenny is trying to retitle "the trading market" as more appropriate. He is mighty right too — as there are some 72 billion of municipal bonds that are really available for this trading market as compared with eight or nine billion plus a year of new issue. I firmly believe that in the average Municipal Department far too little emphasis is given to owning a good broad list of trading items — or secondary market offering if you prefer that name. No syndicate restrictions—no manager or partners to consider . . . price 'em as you will or can. We have found in our small operation that from a third to a half of our annual gross comes from our trading operations and we have recently expanded this phase of our operations looking toward a profit share higher than 50% as we are better equipped to serve our customers with experienced personnel—both sales and trading.

I was extremely pleased this year that the IBA Wharton School course devoted some time to the "trading markets." Jack Kenny and Bob Wherheim did an excellent job in their presentation—however this material only reached a very few — those fortunate enough to be taking the course. I am told, however, that a part of it at least will be incorporated into some new forthcoming publications, available to all of our members. Among the matters covered in these speeches was "trading integrity." Integrity I believe is developed by understanding and the practicing the procedures of trading which have been the customs of our business these many years. It is the re-

*Continued on page 18*

Ted R. Alexander, *Texas Bank & Trust Company*, Dallas; Jim Gallagher, *Rodman & Renshaw*, Chicago; Glenn B. Coats, *First National Bank of Fort Worth*



Martin J. Crowe, *First National Bank in* St. Louis; David F. Bradley, *Milburn, Cochran & Co., Inc.*, Wichita; Elmer F. Borgmeyer, *Mercantile Trust Company*, St. Louis

Lockett Shelton, *Republic National Bank*, Dallas; Bill Lucas, *The Fort Worth National Bank*, Ft. Worth, Texas; Michael T. Chambers, *R. W. Pressprich & Co.*, New York

*Continued from page 17*

sponsibility of those of us who have had this experience to insure that the younger people in our business learn these proper procedures and methods. This requires teaching and explanation of some of the old "rules"—such as "a bid cancels an offering and an offering cancels a bid." Jack Kenny observed. "This rule rarely invoked today adds a great deal of zest to trading. It demands the full extent of your imagination and timing and while I have been badly bitten by this rule in the past, I've never had more than a few minutes of regret when I have been trapped." Jack added: "I feel that if this rule were invoked more frequently today it would stop the retail chiseler—(and may **I** add the dealer chiseler) who after getting the best bid for a block of bonds attempts to squeeze it for a quarter more." AMEN!

**Better Education Means A Better Pay Check**

Your PAY CHECK will grow as your UNINFORMED SALESMAN joins the ranks of the INFORMED—as your traders grow in experience and as the UNINFORMED AMERICAN TAXPAYER — becomes the EDUCATED AMERICAN INVESTOR . . . the tools are available and they become more numerous every week. Their usage becomes more available to you as your own organization awakens to their value and as their continued use puts **your** name before the investor.

In closing may I observe that, while I am sure that some few will disagree with me, we **do** have a real moral obligation to our fellow citizen and our community to put to proper use the professional knowledge of the members of our industry for personal community service. In July this year Tilden Cummings, President of Chicago's Continental Illinois National Bank and Trust Co. in an address to the Junior Chamber of Commerce said: "Management of a business enterprise properly includes the making of adequate profits to secure its financial strength. But additionally it includes the realization that corporation management is such a major influence on the total community that its actions necessarily extend beyond the immediate sphere of the corporation's affairs. "This," he said, "is the real challenge: You and I are American businessmen, and as such we believe that private citizens and private capital—working together—can continue to accomplish the social and economic miracles that have made our nation one of the most remarkably successful experiments in living since the world began. . . ."

I only hope that we can continue these miracles. But this means that, as businessmen, we must recognize with increasing frequency and conviction that social responsibility, service to our community and our fellow men—goes hand in hand with the profit motive. Unless we are willing to accept this assignment seriously, there is always the convenient alternative of letting the government meet all of our social needs. But then "Democracy is thorough."

Public Education on Municipal Securities is a community service —there are none better prepared to provide this service than the Member firms of the Investment Bankers Association of America.

* From a talk by Mr. Stone before the First Municipal Conference, Chicago, Ill., Sept. 12, 1962.

# Attended the Conference

*Continued from page 11*

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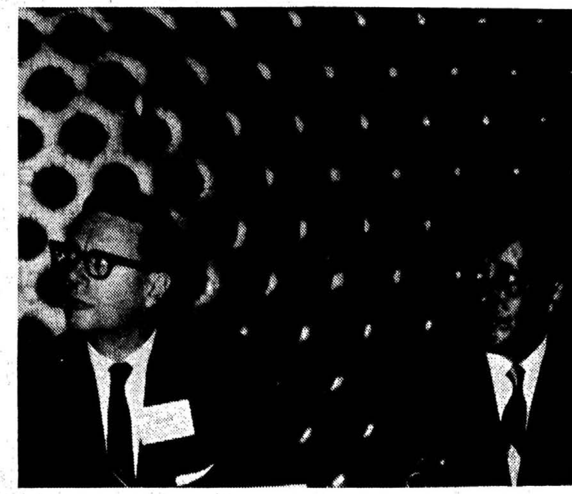

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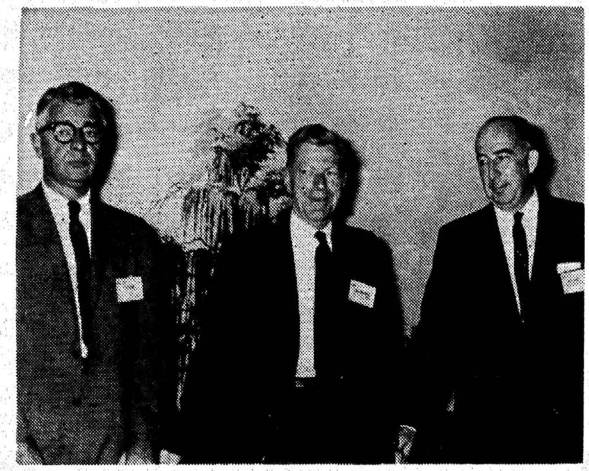

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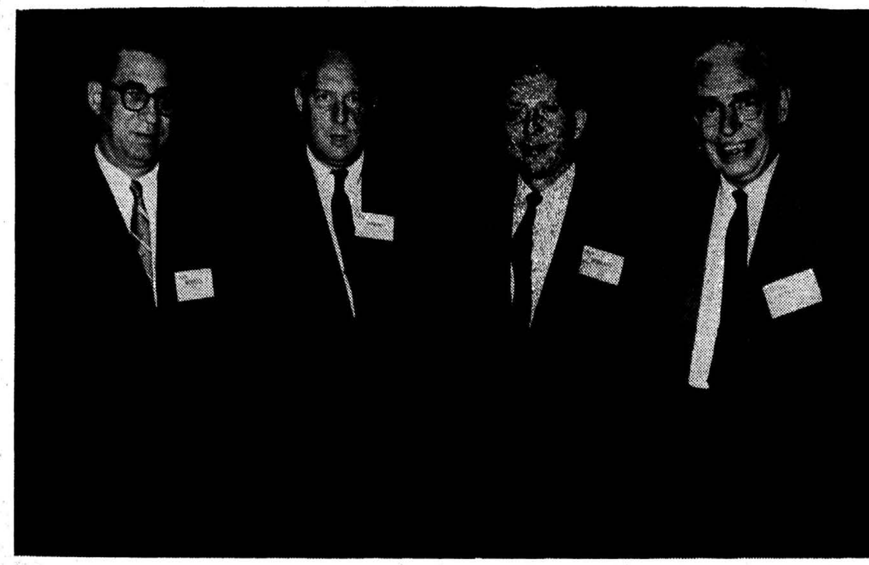

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# Municipals for All Investors

*Continued from page 7*

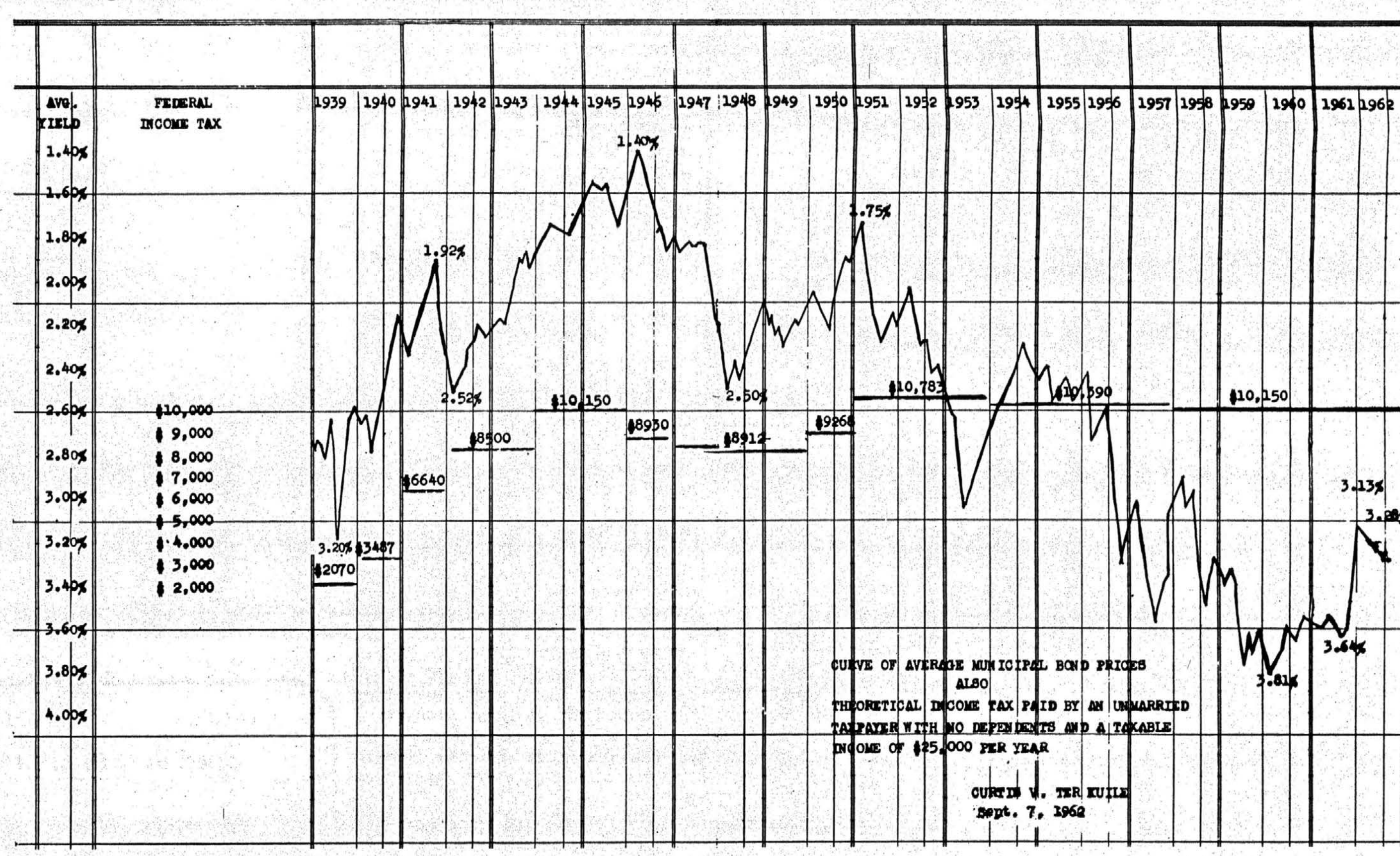
day of the Hoover Administration and during all of this upset, the writer was asked by a large corporation if he could find a market for $500,000 State of New York 3% bonds. In one telephone call another large corporation was reached, a fair bid was agreed upon which was satisfactory to the seller, and the bonds were sold. This was a real test of marketability.

### Capital Gains

If anyone doubts the possibilities of capital gain in tax-exempt bonds it would be interesting to study the comparison of common stocks and municipal bonds in Table II as of January 11, 1960 when the Dow Jones Municipal average stood at the all time low of 3.81% and the Dow Jones industrial stock average was 667.16. During the ensuing two and one-half years not one of the 11 municipals on the list showed a loss and the municipal market rose to a point where the average yield was 3.28%. This would be equivalent to a gain of $80.80 per $1,000 on a 3% bond due in 25 years. In the same period of time the Dow Jones industrial average dropped 66.30 points, although certain high grade stocks such as Consolidated Edison, Consumers Power and Standard Oil (N. J.) advanced. The *Wall Street Journal* reports that it started compiling the average prices of municipal bonds on Jan. 1, 1928, but since U. S. Governments had a Federal tax-exempt interest feature until March 1, 1941, any comparison of the yield on tax exempt bonds with corporate bonds would not be on the same basis as would be in effect today. For it is obvious that the demand for tax-exempt municipal bonds would increase notably after the "Governments" lost their tax exemption.

If we were to plot a chart showing the Dow Jones Municipal Averages in recent years and also the income tax paid by a specific individual, it would be evident that although an increase in Federal income tax usually causes the tax exempt market to rise, yet income tax reductions certainly do not always cause the municipal market to go down.

At the start of World War II the municipal market declined at first from a 2.62% average to a 3.20% average. With increases in Federal income tax it rose to 1.92%. A brief but severe drop occurred after the Pearl Harbor Disaster, but increases in income taxes forced the average up to an all time high of 1.40% on April 1, 1946. Then the municipal market went into an irregular decline down to a 2.50% average. A large increase in income tax rates for 1951 pushed the average up to 1.75%. Then a conflict developed between the Treasury and the Federal Reserve Bank over control of the money market and the municipal averages declined for eight years to an all time low of 3.81% on Jan. 11, 1960. Since then the municipal market has been slowly recovering and the average now stands at 3.28%. Investors seem to feel that the inevitable result of our government's fiscal policies will be increased taxation despite announced promises to the contrary. Too much money is being appropriated. During this discussion of taxes it should be emphasized that the tax being collected from a specific taxpayer in a certain tax bracket is exactly the same today as it was in 1944 at the height of the second World War with millions of our citizens in the Armed Forces and with all of the waste and destruction of a great conflict. This should be a guide in estimating the extent of taxation in the future. It indicates that a really important reduction in the U. S. Individual Income Tax is unlikely and therefore municipal bonds should be considered by every investor.



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# Interest Rate Outlook

*Continued from page 4*

a Federal tax reform program. Although Congressional leaders were opposed to a "quickie" tax cut this Summer, they do recognize the need for prompt action to reduce the burden of taxation upon private investment spending as part of a tax reform program. The third ground for optimism is the very large backlog of commitments which has been entered into by financial institutions to make loans to business and industry and for residential construction. These commitments may presage an improving rate of investment spending next year. Notwithstanding these possibilities, however, there is a heavy burden of proof on those who anticipate any more than a gradual rise in general business activity in the next several months.

So far as the U. S. international balance of payments is concerned, it is encouraging that the deficit for the first half of this year was reduced to $1.5 billion, as compared with $2.4 billion in 1961. To some extent this improvement was at the expense of Canada which in the first half of the year experienced an outflow of funds to the U. S. But, it also is the result of a determined effort by the Administration which is beginning to show results. The Administration wisely recognizes, however, that it cannot relax in its efforts to eliminate the deficit because of a continuing threat to the dollar. Our gold supply has now been reduced to little more than $16 billion, with "free gold" only about $4 billion, as compared with about $24 billion of short-term assets held in the U. S. by foreigners. It appears certain that for the foreseeable future the need to protect the dollar will play a large role in determining monetary, fiscal, and wage policies.

### Sizable Tax Cut Means Tighter Monetary Policy

What can we conclude about the outlook for interest rates? It would certainly seem that for some months to come monetary and Treasury financing policies must continue to be directed toward preventing the Treasury bill rate and other short-term rates from getting out of line with short-term rates in foreign money markets. Depending upon the movement of money market rates abroad, the level of short-term rates may vary somewhat, but considerable stability is to be expected. If a sizable tax cut should be enacted next year, involving an enlarged Federal deficit, a higher level of short-term rates would probably be the consequence of a tighter monetary policy.

With regard to the outlook for long-term rates, it seems likely that demands for capital funds will rise somewhat in the next several months, but at the same time the supply of funds should be large enough to meet these demands without serious upward pressures on rates. During the first half of this year savings institutions have been experiencing a heavy inflow of funds, and there seems to be no reason to expect any reduction in this flow. In particular, the residential mortgage market has benefitted from readily available funds, and some further moderate softening of rates may occur in this area of the capital market.

The prospects for general business activity suggest that general inflationary pressures are not likely to be present for some months to come. This will serve to hold down any upward pressures on interest rates because it will reduce the attractiveness of equities and enhance the attractiveness of bonds and mortgages. It will also tend to hold down the rise in total dollar demand for loanable funds. Perhaps most importantly, it will enable the monetary authorities to retain an easy credit policy for a longer period than would otherwise be the case.

In general, then, all of the evidence suggests that interest rates are likely to move sidewise and to fluctuate within a narrow range around the present levels. The requirements of our international balance of payments position will probably continue to place a floor under both short- and long-term rates. At the same time, the lack of vigor in the economic expansion probably rules out any expectation of a strong rise of rates.

# Coupon Bond: An Outmoded And Expensive Instrument

*Continued from page 8*

stantly changing conditions. Financial procedures require scrutiny and more often than not, adjustments. The world is moving much faster in this age of the transistor, the missile, and the computer. It is pioneering trails to new economic frontiers—but we can't travel them in the covered wagon methods of the past century.

The era of unquestioned acceptance of the coupon bond is over, and the logical move toward utilization of the obvious advantages of the registered bond is gaining momentum. It is a challenge that will be successful if met with sufficient imagination, courage, and effort.

Listed below are the names and affiliation of members of the American Bankers Special Committee on Bonds. If one of them is in your area, contact him, point out the problems that you foresee. Even more important, help him with suggestions on means to overcome the apathy that exists today. The Committee includes:

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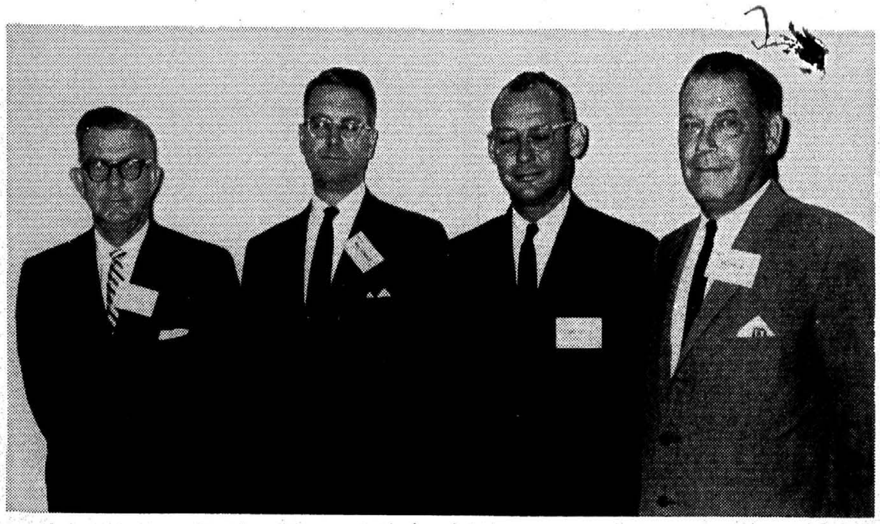

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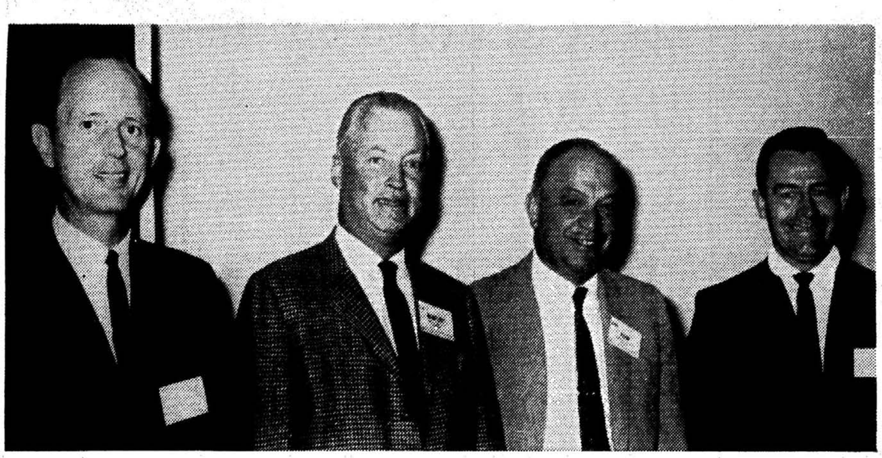

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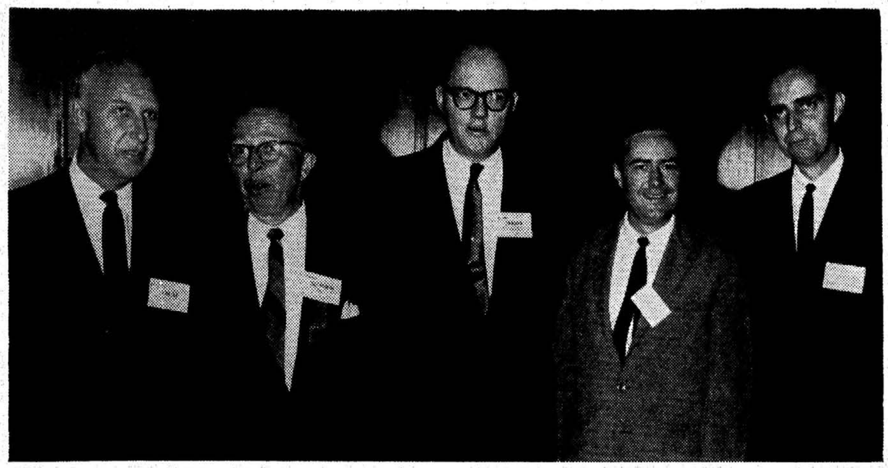

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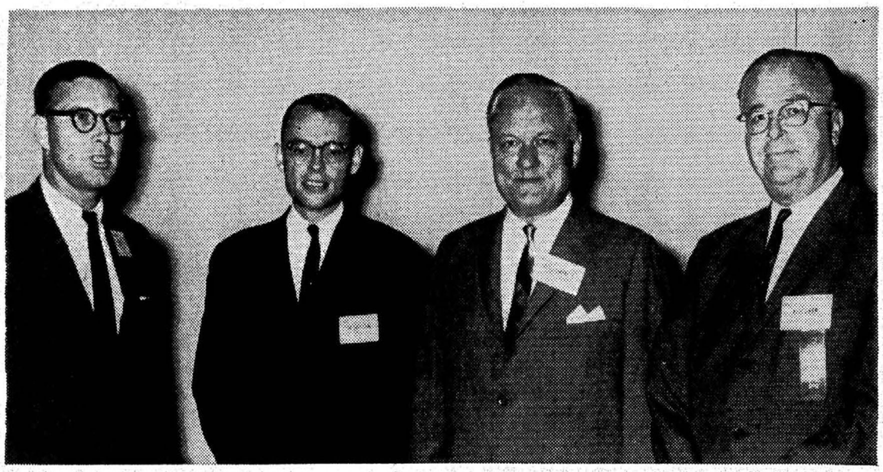

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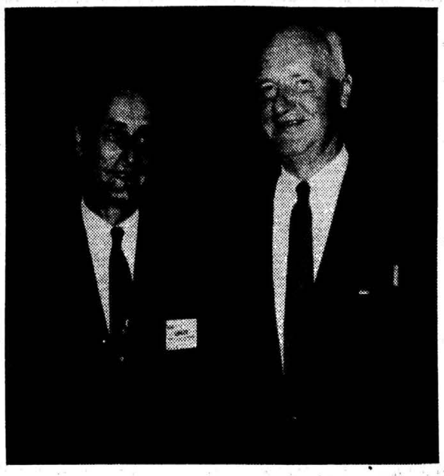

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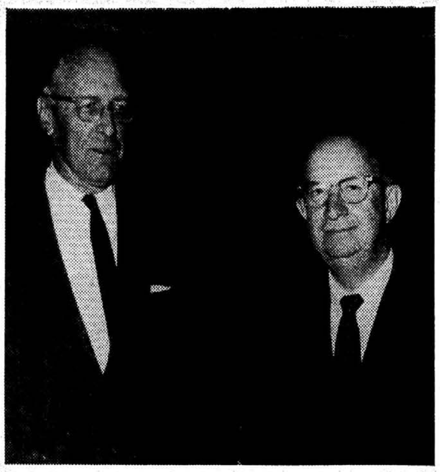

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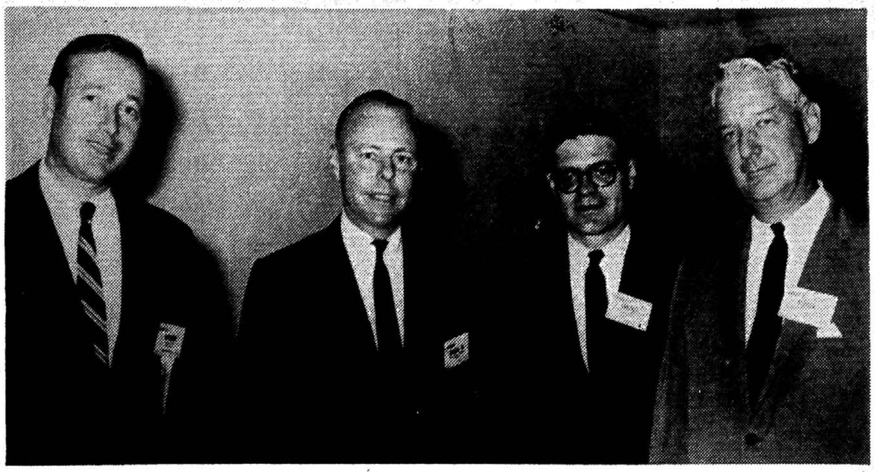

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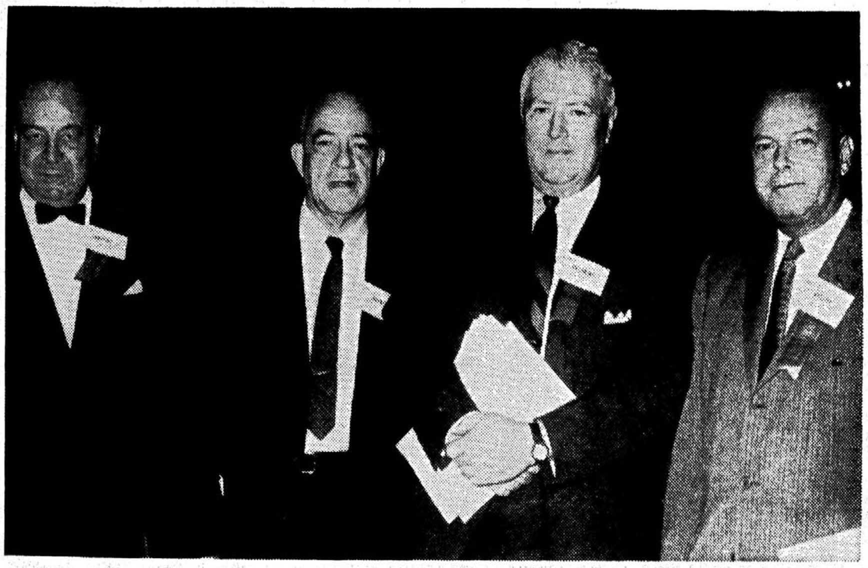

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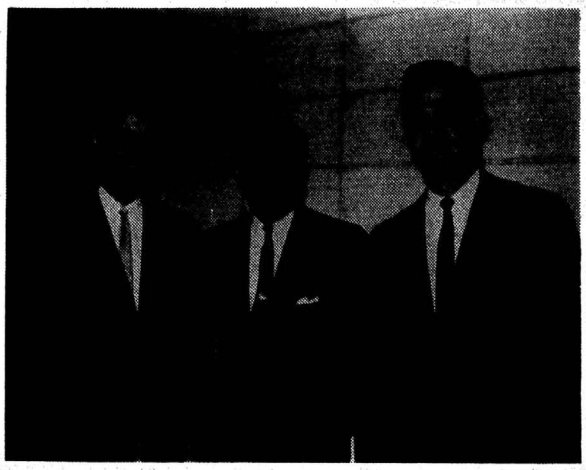

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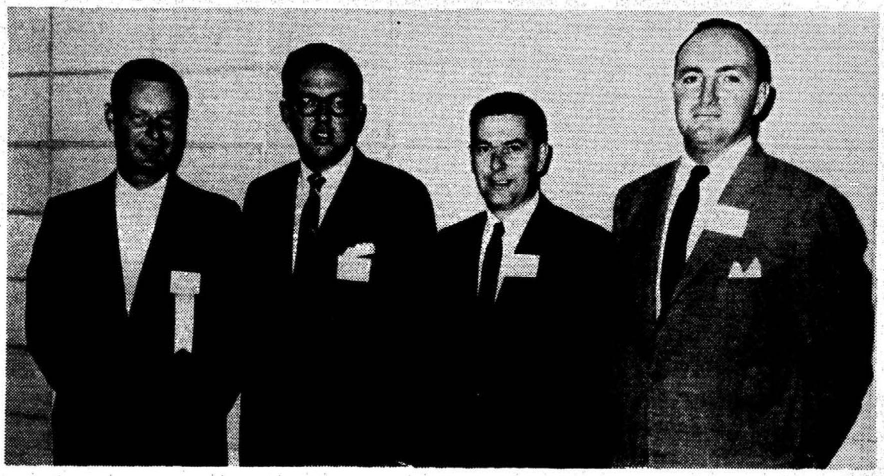

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William L. Christy, *Reynolds & Co.*, Chicago; James C. Shaw, *Shaw, McDermott & Co.*, Des Moines; Elmer F. Borgmeyer, *Mercantile Trust Company*, St. Louis; Robert F. Yenne, *Merrill Lynch, Pierce, Fenner & Smith Incorporated*, Cleveland; Eldridge B. Scurr, *Chiles & Company*, Omaha

Nesom Burt Jr., *Underwood, Neuhaus & Co., Incorporated*, Houston; John F. Baumann, *The Milwaukee Company*, Milwaukee, Wis.; Thomas L. Carter, *Loewi & Co. Incorporated*, Milwaukee; *Lee Nelson, Weeden & Co.*, Chicago

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Preston T. Luney, *Harris Trust & Savings Bank*, Chicago; "Chick" Gerken, *Salomon Brothers & Hutzler*, Chicago; Alfred E. Tonne, *Salomon Brothers & Hutzler*, New York City; Jerry Hayes, *Albert Frank-Guenther Law, Inc.*, Chicago

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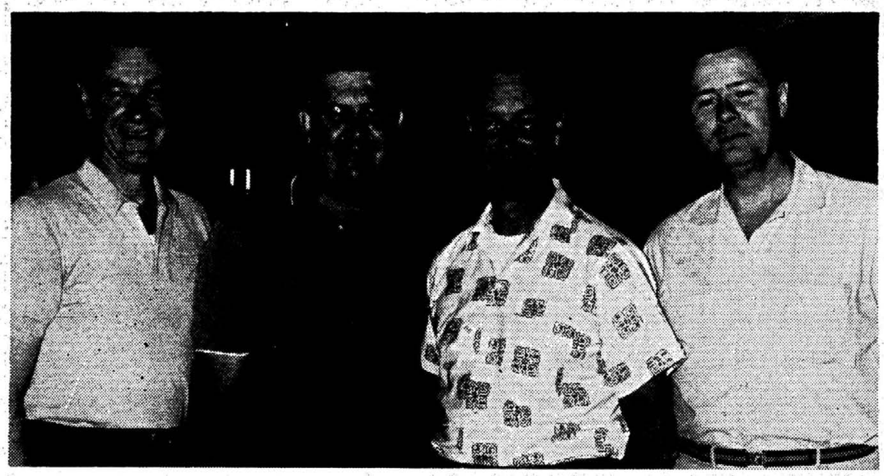

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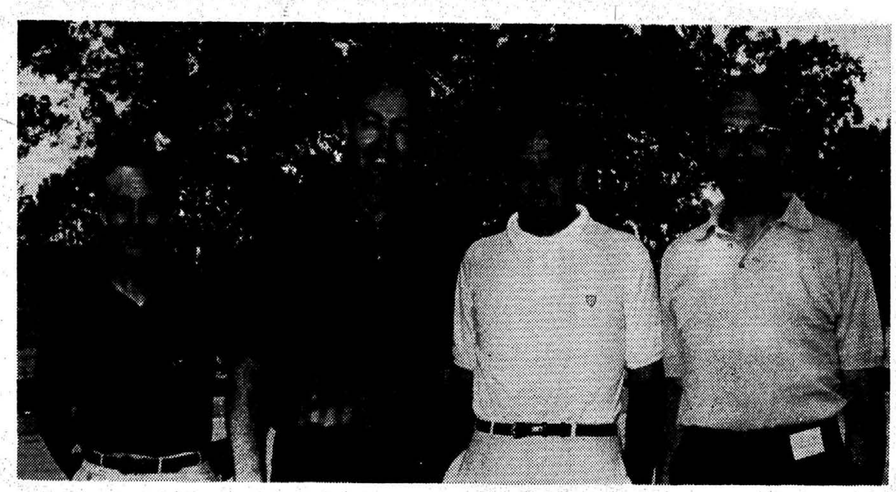

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