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EDITORIAL

As We See It

The American railroads having no real choice agreed to another delay in any change in a system that is costing them over a half billion yearly because of labor union featherbedding work rules. The reason why they had no practical choice is eloquent of the all but impossible situation by which the carriers are faced. Members of Congress simply have no stomach for any part in a matter that could turn the political power of the labor unions against them. Already it has been announced that appropriate committees have let it be known that they believe "the heat is off," and they can discontinue the consideration of any action at all at least for the time being—and hope that they may not ever feel compelled, no matter what happens—to have to become involved in any way. Meanwhile, the suggestion comes from the unions that hearings be held in public "so that the people themselves can see what is what," or words to that effect. Quite obviously the unions, always skilled and always active in the political arena, now make a typical political move.

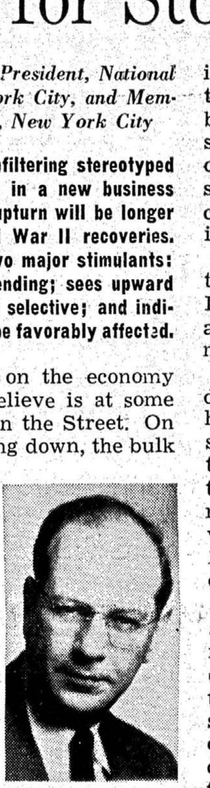
The union leaders are right in saying that much more is involved here than any one union, any one set of unions, or any one industry. They know full well that they, with the help of weak-kneed politicians have been able to build up a monopoly which enables them to insist upon and get wages and working rules which in one degree or another carry important elements of featherbedding, and they are fully aware that anything which interferes with this practice in the railroad industry, where featherbedding had its birth and its early vigorous growth, will tend to weaken their position in all industry. It is for this reason as well as because of the straits in which the railroad (Continued on page 22)

New Business Cycle Now Underway Bodes Well for Stock Market Rises

By Lawrence R. Kahn,* *Senior Vice-President, National Securities & Research Corp., New York City, and Member of the Faculty of Pace College, New York City*

Factual thesis sharply disagrees with infiltering stereotyped pessimism in contending we have been in a new business cycle since February last and that the upturn will be longer and stronger than previous post-World War II recoveries. Mutual fund expert stresses advent of two major stimulants: rising family formations and capital spending; sees upward market becoming more professional and selective; and indicates equity investment areas bound to be favorably affected.

I want to present a slant today on the economy and the stock market which I believe is at some variance with the general view on the Street. On the whole, when the market is going down, the bulk of the people are gloomy and bearish. When it is rising the same people are bullish and most optimistic. When it is standing still they are perplexed and disgusted. If you are dealing with largely a trading clientele, I suppose this attitude could be justified.


Lawrence R. Kahn

In my present position our objectives are entirely of a long term investment nature and as the investment organization I was a part of for many years was also largely institutionally oriented, my thinking by need and by nature has been directed to the longer range perspective, in contrast to the aforementioned trading operation. When you try to operate on an investment basis, acceptance of the stereotype is generally deadly. It probably also is for all but the adroit and nimble speculator. While I do not believe in the original or the unusual for its own sake, a clear and independent viewpoint must be cultivated if one wishes to have any longer term success in our business. When one follows the crowd, you frequently get left behind. And that is all you get left.

It is in this context that I want to give my thinking on the economy and the market today. In order not to confuse, I shall set my reasoning against today's stereotype in the financial community.

In the first place, we hear and read a good deal, much of it from sacrosanct quarters, about how the present phase of the business cycle is stretching out overly long and hence is becoming tired. In contrast to this viewpoint, I would like to consider the proposition that the upturn which most economists (but not all) believe is still underway *actually topped out in the last six months of 1962* and what we are witnessing is the beginning of a completely new cycle.

What are my grounds for such a sacrilegious or at least unorthodox statement? Let us consider a number of economic indicators which normally either predict or are concomitant with moves in the cycle. Manufacturers inventories, for example, stopped rising in July of last year after a number of months of very minor gains and actually declined in August, stood still for two months and then declined again in November.

Hours worked in manufacturing industries, a very sensitive indicator, hit a peak of 40.8 hours, in April of 1962 and declined almost steadily to 40.1 hours by October, rose modestly in November and December and (Continued on page 19)

QUARTERLY FUND SURVEY NEXT WEEK—The Aug. 8 issue of the CHRONICLE will contain the comprehensive analysis of common stock purchases and sales during the June quarter by 89 mutual funds and closed-end investment companies.

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

Pyramid Life Insurance Co.—H. L. McAllister, Chairman of Executive Committee, R. S. Dickson & Co., Inc., Charlotte, N. C. (Page 2)

Western Light & Telephone Co.—Myron D. Mesler, Trading Dept., George K. Baum & Co., Kansas City, Mo. (Page 2)

H. L. McALLISTER

Chairman of Executive Committee
R. S. Dickson & Co., Inc.,
Charlotte, North Carolina

Pyramid Life Insurance Company

Although it is difficult to actually evaluate the stock of a life insurance company from the standpoint of earnings, growth, type of insurance in force, etc., it is not too difficult to find one that is behind the market if one watches the individual companies and their performance over a period of years.

Of a total of 177 life insurance companies the price of whose stock was quoted recently, only 18 stocks were lower in price May 31, 1963 than the year-end quotations as of December 31, 1962. This is approximately 10% of the total—a majority of which were slightly under the year-end quotations and none was over 5% under the year-end price as quoted.

Pyramid Life Insurance Company of Charlotte began business in 1929. It has in force over $353,000,000 of life insurance, including $57,500,000 ordinary life, $108,000,000 group life, and $188,000,000 credit life. The overall increase in insurance in force for the year 1962 over 1961 was 29.1%, made up of a 10% gain in ordinary life, 65% in group life, and about 4½% gain in credit life. The operating gain increased 109% from 1958 to 1962, and the admitted assets gained 35% over this period of time. Over the five-year period the life insurance in force increased 41% and the surplus and reserves 36%.

An investment of $4,024 in Pyramid Life in 1938 at 75 cents per share grew to a total value, at the high, of $354,150 in 1962. At prevailing prices this investment is still worth around $163,611. In other words, from the low to the high 1938 to 1962 the value increased 88 for 1; whereas it is still 41 for 1. In 1963 the company had a 5-for-1 reverse split, bringing the total number of shares from 1,331,000 to 292,820 (including a 10% stock dividend paid in 1963). The common stock before the split and the stock dividend sold as high as $10 per share, making the present stock $45 per share on the reverse split basis. At the present market value of approximately $25 per share, the stock is available at about half the value that it sold at the highest point.

The records show that four life insurance company stocks with approximately the same adjusted earnings as Pyramid Life are now selling at about 27.2 times 1962 adjusted earnings, whereas Pyramid Life is selling at 11.2 times 1962 adjusted earnings. On growth figures these four companies show an average growth from 1961 to 1962 of 9.8% against 29.1% for Pyramid Life. It stands to reason that the investor who purchased Pyramid Life stock in 1961 at $10 per share before the reverse split should have a much better buy at the present market of approximately $5.00 per share on the same stock with the growth that the company has had for the year 1962.

The common stock of Pyramid Life Insurance Company is designed for growth and should be purchased by the investor who is willing to wait for reasonable long-term growth since life insurance stocks as a rule show excellent growth records if held for a period of years. The stock is traded in the Over-the-Counter Market and enjoys a fairly wide distribution.

MYRON D. MESLER

Trading Department, George K. Baum & Co., Kansas City, Mo.

Western Light & Telephone Company

The Western Light & Telephone Company is a diversified public utility with a surge of growth that derived approximately 75% of its 1962 revenues from ELECTRIC operations, 19% from TELEPHONE, 4% from NATURAL GAS, and 2% from WATER.

Electric service is provided to 157 communities (144 retail and 13 wholesale) in central Kansas. The four largest cities served are Concordia, Great Bend, Dodge City, and Liberal. In 1962 electric revenues were divided 34% residential, 8.4% rural, 33.4% commercial, only 10.2% industrial, 10.7% other electric utilities and 3.3% other. Net generating capacity will be increased from 96,300 kilowatts to 251,300 kilowatts during 1963.

Telephone service is provided for 41,925 subscribers in five communities in Kansas, 12 communities in Iowa and 25 communities in Missouri. Twenty-eight (24,470 telephones) of the 42 exchanges are automatic dial. Four additional exchanges are to be converted to dial by the end of 1965. Telephone utility construction expenditure of $1,151,000 was made in 1962, and $1,393,000 is budgeted for 1963. Telephone revenues increased 10.3% in 1962 over 1961. On Feb. 20, 1958, the company sold its 15 telephone exchanges serving 8,224 subscribers in Oklahoma for a net gain of $294,000, after taxes and costs, over net book value of $950,000. Three other small exchanges (1 in Missouri and 2 in Kansas) serving 945 subscribers were also disposed of within the last five years. These sales were in accordance with the company policy of disposing of unprofitable, isolated and difficult to administer telephone exchanges if a fair and equitable price can be obtained.

Natural gas service is provided to 5,424 customers in 11 communities and water service to 6,863 customers in five communities, all located in Kansas. Gas and water department construction expenditures for 1963 are estimated at $313,000.

The principal income of the Kansas service area comes from agricultural and petroleum activities. The highest quality wheat in the nation together with corn, grain sorghum, alfalfa and other small grains are raised extensively. Irrigation is resulting in larger stabilized yields and further diversification. Livestock feeder lots and marketing facilities are located adjacent to Dodge City, Kansas, and a trend toward processing beef in local carcass plants is developing. Liberal, Kansas, located on the edge of the world's largest gas reserves, the Hugoton field, is the fastest growing community served by the company, having more than doubled its population in the past ten years.

In June 1962 Western Light & Telephone entered into a 20-year contract to provide 38,000 kilowatts of electric power, 53,000 pounds per hour of steam and 18,000 gallons per minute of cooling water to the new National Helium Corporation extraction plant to be located near Liberal, Kansas. This contract provides estimated revenues of $1,290,000 for 1963 and $2,000,000 annually thereafter with liquidation damages provided in the event the contract is canceled prior to Oct. 1, 1973. A new 60,000 kilowatt net capacity, $7,423,000, generating station is being constructed nearby to serve this facility, and is expected to be in service about Oct. 1, 1963.

At the Arthur Mullergren station near Great Bend, Kansas, a 95,000 kilowatts net capacity generating unit costing $9,470,000, was placed in service in May 1963.

Total gross capital expenditures for the year 1962 amounted to $10,879,000, and the 1963 construction budget provides for gross construction cost of $14,344,000. After the sale early in 1963 of $7.5 million 4½% first mortgage bonds, $2.5 million 4.80% preferred stock and 113,811 shares common stock, pro-forma capitalization consists of $28.8 million long-term debt, $6.5 million preferred stock and 1,247,305 shares common stock. The 10% increase in common stock outstanding is very small when compared with the 50% increase in net utility plant. No additional permanent financing is anticipated until after 1965.

Earnings per common share were $1.76 in 1960, $1.85 in 1961 and $2.06 in 1962. Dividends were increased to 35¢ quarterly in February 1963 from the 30¢ quarterly paid in 1961 and 1962. At the recent price in the Over-the-Counter Market of $40 the current price earnings ratio is less than 20, and the dividend yield is over 3.6%.

The 160% increase in electric generating capacity in 1963 will supply the increased demand for power and permit savings in purchased power, plus the use of the more efficient and lower cost generating facilities.

(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.)

Passenger Cars Put a Glow On Turnpike Revenue Bonds

By George McKelvey, Partner, George McKelvey Co., Sea Girt, New Jersey, and Financial Adviser to Garden State Parkway; Atlantic City Expressway Authority, and the New Jersey Highway Dept.

Toll revenue bonds as a whole currently are selling at close to their record highs. Now that they have undergone maturation, Mr. McKelvey takes a close look at their performance and the different reasons for their progress. Particular attention is paid to the impact of passenger cars as an unpredicted source of revenue strength following a discussion of the uniqueness of the almost commercially-free toll roads now able to meet their debt coverage with none, to comparatively little, dependence on commercial vehicle tolls.

Early in 1956 the writer was asked to prepare an article about the billions of dollars worth of turnpike (and similar) revenue bond issues which were in the hands of the investing public. A sour note was evident. In fact, in re-reading that article* it started by saying, "When the year 1956 began it brought with it what amounted to almost a revolution of feeling about turnpike bonds. Previously, scrambled for, they were now unwanted."


G. I. McKelvey, Jr.

Hindsight Doesn't Help

Looking back, even from this vantage point of seven years later, it is not too easy to account for the state of mind that existed then. Many of the roads were not open for traffic and some were only partially open. But, with the exception of the West Virginia project, those that were operating were giving a good account of themselves. The Maine Turnpike was showing an increase in revenues over the comparable 1955 period on its original project and was getting revenue in from its recently opened Augusta Extension. However, it was operating at 20% below the engineer estimates. The New Jersey Turnpike, a shade above estimates, was grossing 7½% more than in 1955 for the first six months. The Garden State Parkway, opening its first full year with a completed roadway, although 8½% behind estimates, was on its way to earning its full interest charges. The Thruway in New York was 15% behind estimates with some of that caused by delayed opening in sections of the roadway, and yet, due to openings of various sections in late 1955 the revenue was running 80% ahead of the previous year. Oklahoma's Turner road was 27% ahead of estimated income and about 4½% better than the previous comparable period. And Pennsylvania East-West, the original project, although 14% behind estimates, was almost 5% ahead of the preceding year in income. The little Jones Beach Expressway on Long Island was running over estimates with a 20% increase over 1955.

Regardless of what one can say, even with the advantage of hindsight, the truth was that turnpike and allied revenue issues were moving into "the doghouse." It could be that the West Virginia fiasco sparked the thinking. Investors may have looked at their poor record and then superimposed that upon the financial picture of the roads which were not yet fully in business, for, even with a 23% improvement in 1956 over the same 1955 period, the income did not come even close to covering interest charges. It was a climate in which to look for unfavorable factors rather than favorable ones.

And, let it be said, there were many projects still unopened for investors to speculate about as to income. The New Jersey Turnpike Hudson County Extension was still to come as was the bridge to connect with the Pennsylvania Turnpike. The Thruway still had roads to build including the vital three mile link from Yonkers to the New York City line. Then there were Indiana, Illinois, Kansas, Massachusetts, a lot of Connecticut, Kentucky, Texas, Will Rogers in Oklahoma. Richmond-Petersburg and the Maryland Tunnel and the Virginia Tunnel both of the latter contributory to long distance travel.

Another upsetting factor was that several projects had to come back for additional bond issues, as West Virginia had to do in 1954, due to rising construction costs. Maine borrowed an additional $3,600,000. Richmond - Petersburg $6,150,000, Calumet Expressway $13,000,000 and Illinois $64,000,000 after just retiring $37,467,000 a year or so earlier.

And the "we don't like toll revenue issues" reflected right back to the new issue market and the States which wanted to create a

Continued on page 20

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CONTENTS

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Articles and News

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OBSERVATIONS...

BY A. WILFRED MAY

THE SPECIALIST — PRO'S AND CON'S —

As with other "items," the Stock Exchange Specialist gets sharply divergent reactions from the SEC's Special Study.

"At the present time," keynotes the Special Study Group in its introduction to Chapter V on Trading Markets, "the major American Exchanges are, for the most part, 'continuous auction' rather than 'call' markets. On the larger exchanges the various securities are allocated to different localities or 'posts' on the 'floor,' and buy or sell orders may be brought to the appropriate post at any time during the trading session for immediate or later execution. Since there may not be matching buy and sell orders from public customers at the same moment, *a continuous auction market requires mechanisms for linking the buy and sell interests during the trading sessions, and the main cog in the mechanism is the specialist who joins the orders in specific securities.*" [Emphasis added.]

Further in the sympathetic vein, the Report states as a basic conclusion: "In its present form it [the specialist system] appears to be an essential mechanism for maintaining continuous auction markets and, in broad terms, appears to be serving its purposes satisfactorily."

And likewise approvingly, SEC Chairman Cary in his transmittal letter to Congress, cites the Study's conclusion that "the basic dealer function of specialists, that of providing price continuity, is a useful one."

The Other Side of the Medal

However, the Report also comes in with important negative "returns." It finds that in most cases specialist trading does supply "some" stabilizing effect, but "in a significant group of stocks such trading tends to be de-stabilizing in nature . . . ordinarily the capacity of specialists to provide price stability is a distinctly limited one." The Study reports a tendency, because of the greater risk, and more limited profit potential, to neglect stabilizing efforts in inactive issues.

Finding that the specialists' functions are governed by their individual capital resources, together with great disparity in such resources, leads the Study to the conclusion that "the image" is threatened of the Exchange as a market place whose specialist system assures strength in all markets.

A basic problem cited by the Study is that over the years the specialist's dealer function has become as important, if not more so, than his brokerage activity. This conflict of interest, the Study claims, has been further extended by extensions of the brokerage function beyond that of handling market and limit orders for other brokers.

Capital Insufficiency and the 1962 Bust

The Study recommends that the present minimum capital requirement be at least tripled. This insufficiency of capital was found to be an un-stabilizing factor during the mid-1962 market break.

The Commission's findings concerning that May-June, 1962 holocaust, and particularly its 5-month prelude, indicate, in our opinion, Specialists' conduct for the most part similar to the general run of professional speculators. In the interval December 29, 1961 to May 16, 1962, while the Dow Jones Industrial Average was falling from 731 to 654, the aggregate inventory of specialists was cut in half. From that point, May 16 until May 25, specialists' inventory increased by about 30%—while the D. J. was declining by about 6%. On May 29, the day of the market's greatest decline, of 25 D. J. points or almost 6%, the Specialists came through with a net purchase balance of 6.7%. This purchase balance is deemed inadequate by the Study Group, because it did not differ from specialist activity during normal market periods, and its volume was only about 30% of that on the day after President Eisenhower's heart attack in 1955.

The Commission Study complains of highly inconsistant Specialist impact on Black Friday. While their dealer performance on that day lent depth and stability to the market in AVCO, Brunswick, General Motors, and Standard Oil of New Jersey, on the other hand, the Specialists trading in Telephone, IBM, and Korvette allegedly tended to range from passivity to de-stabilization. Some issues, according to the Report, were actually "pounded down"; their selling frequently occasioned by financial pinching.

Thus, from the Study and our own observation, we get a "net" Specialist picture, consistent with performance, of preliminary earlier-in-the-year selling-on-the-way-down with cushioning operations, highly irregular, at the time of the severest daily breaks.

Preservation With Reform

The Study Group and the Commission feel that the main task is to preserve the Specialist System with the introduction of reforms.

Consistent with its overall reaction, cited in this space last week, the Special Study concludes that its examination of the NYSE Specialist system "has disclosed no widespread abuses or patterns of illegality. Nevertheless, serious problems have been found concerning the system itself and its surveillance and regulation by the Exchange."

Accordingly, the Study has a number of recommendations, endorsed by the full Commission. In addition to the previously cited call for increased capital requirements. The dealer functions of specialists, it is contended, should be further restricted to what is reasonably necessary to maintain a fair and orderly market; they should also affirmatively have increased obligation to maintain such market — all to be accomplished under a new broad Commission rule. All securities in which a specialist is registered, it is recommended, should be maintained in a single trading account. They should be prohibited from servicing public customers. Further public reports by specialists, including financial condition statements, also are called for.

Then, the Report, endorsed by the Commission, comes in with a spate of recommendations regarding Floor procedure; running the gamut from the manner of opening a stock to continuing the ban against accepting "not held" orders.

Caveat Emptor Still in Order

The many pages devoted to these and other trading minutiae here and elsewhere throughout the Report, are, we believe, highly dangerous in indicating "the Government's" concern with, and investment-whitewashing of, activities that are essentially speculative and must always entail great risk. At the very least, a "Government guaranty" disclaimer could and should be emphatically and prominently included. This is the minimum price of the Agency's concern with gambling rules. (After all, the Stock Exchange specialist is literally a bookmaker.)

Checkreins Minimizing Cost of Living Advance

By Roger W. Babson

Mr. Babson takes another look at his predictions for long-run price inflation and is willing to concede there are many factors likely to hold it within reasonable check — at least for a considerable time. Notes slowdown in cost-of-living pace, improvement in income and quality of goods, force of competition, and the effective deployment of savings.

A few years ago I used to hear people grumbling about the high cost of living wherever I went. The other day it occurred to me that I had not heard much complaining along those lines for quite awhile. I wondered whether consumers had simply become used to ever-climbing retail costs or whether the long-term climb had stopped without my realizing it.

What the Figures Show

Scouting about in my business library, I soon found some figures that I would like to pass along to you, because I believe you will be surprised at what they tell us about the present economic condition of the average American family. Living costs have, of course, been on the rise, long term, ever since the pit of the terrible depression of the early 1930s. On several occasions, especially after World War II, the advances were spectacular, and were keenly felt by all consumers.

But here is something that I do not see commonly stressed in the papers and magazines: Over the past five years, the consumer price index has moved ahead on average only 1% a year. While this does represent some pressure on the upside, it shows remarkable stability when you consider that since 1939 the cost of living as measured by the Labor Department has skyrocketed 119%. So it is not surprising that the average consumer has not suffered seriously from the 1% annual boost of the past five years. Gains have simply not been big enough to cause grumbling.

Prices Versus Incomes

Beyond that, too, incomes have been swelling at a far more rapid rate than have retail prices of goods and services. Tracing the figures back to 1947, about half way between the end of World War II and the beginning of the Korean War, they show that the cost of living has moved up 30% since that time. But take a look at U. S. incomes for the same span: They have climbed 127%. Even the rather abrupt jump in consumer prices from 1957 to 1959 of 5.4% looks pale beside the uprush of 24% in personal income for the same two-year spell.

There is no question but that American consumers are better off right now than they were even five years ago. They have the actual money to buy more than they ever have been able to before in our nation's history. And I would like to point out, also, that the quality of goods obtainable is, on the whole, better than ever. This applies not only to our own goods, but even to those being imported so heavily from foreign lands. This is a reflection of the improved industrial standards emerging in Western Europe, South America, Japan, etc. And, of course, many products from overseas are available to our consumers at prices considerably below those of our native goods,—a boon for the buyer.

How About Pensioned Workers?

When the cost of living climbs, nobody suffers more than those with a fixed income, such as those living on pensions, social security, or investments with a set interest. After the end of World War II and after the Korean War, the swift uprush of living costs hurt such people badly. Over the past five years, while the "pinch" became very faintly tighter, it did not intrude so bitterly upon disposable income of those with fixed spending power as it had in previous years.

I am often asked whether the upspiral of retail prices and wage rates that has persisted since the early 1930s will continue indefinitely. At present there does not seem to be any reason to expect a reversal of this long-term wage-price inflation. But there are many factors which will be likely to hold it within reasonable check, at least for a considerable length of time.

Competition Has Its Value

Perhaps the most powerful checkrein on the consumer price index over the past five years has been competition, both domestic and foreign. Rivalry will become only the more intense over the period ahead, and it will be virtually impossible for manufac-

McKeon With Fahnestock

NEW HAVEN, Conn. — Fahnestock & Co., members of the New York Stock Exchange and other principal exchanges, have announced the appointment of Stephen G. McKeon as Special New England Representative, with offices in New Haven, Conn., 177 Church Street. He was formerly a special partner of Chas. W. Scranton & Co.

turers or service venders to hike prices substantially without losing their competitive position in both domestic and overseas markets. More likely, savings will be sought via wider technological improvements and automation. This will tend to hold at a minimum further wage-price increases.

M. D. Bailey With Paine, Webber Co.

Merle D. Bailey has joined the Municipal Bond Department of Paine, Webber, Jackson & Curtis, 25 Broad Street, New York City, members of the New York Stock Exchg., it has been announced by Joseph Luby, Manager of the New York Municipal Bond Department.

Merle D. Bailey

Mr. Bailey was formerly associated with L. F. Rothschild & Company as an institutional salesman. Before joining that organization, he served in the Municipal Department of the Bankers Trust Company of New York.

Alex. Brown to Admit Stephens

BALTIMORE, Md.—Alex. Brown & Sons, members of the New York Stock Exchange and other leading exchanges, announce that Clinton P. Stephens has been admitted to the firm as a general partner, effective Aug. 1, 1963. Mr. Stephens has been associated with Alex. Brown & Sons since 1952 as a registered representative, then as Branch Manager of the firm's Towson, Md., office and finally General Manager with headquarters in Baltimore.

Clinton P. Stephens

He is a member of the Bond Club of Baltimore, Merchants Club of Baltimore and is the Alex. Brown & Sons representative at the Ron Lewis Banking Management Seminars.

Commercial Banks: Supermarkets for Credit

By Dr. Ira U. Cobleigh, Economist

A swift review of the progress in retail banking, profit trends in the industry, and the rewarding investment values afforded by selected bank stocks.

There was a time when the big banks were downtown, marble mausoleums, where only substantial corporations and highly solvent individuals could qualify for loans. Loans to wage or salary earners were frowned upon as too small, doubtful risks and unprofitable business. With the burgeoning of installment buying in the 1920's, however, and the emergence of our "affluent society" in the years since World War II, banks have learned that personal banking is a huge mass market, a highly profitable division of the business; and that screened personal credit is an almost riskless employment of bank funds.

Early Personal Loans

The National City Bank (now by merger, the First National City Bank) was the first major commercial bank to open a personal loan department; and since then thousands of banks throughout the country have entered the business. Of the huge amount of installment credit now in use (about $48 billion), about $19 billion is advanced by commercial banks. Individual personal loans run generally from $500 to $3,500 (and sometimes to $5,000 or more), and are often protected by term life insurance to discharge the unpaid balance in event of death of the maker before maturity of the loan. (This credit life insurance itself *has become a big business.)*

Personal loans by banks are of two kinds, secured or signature. Collateral for security may consist of a motor car, a savings account passbook, an insurance policy, bonds or stocks. The purpose of the loan is most frequently to finance purchase of a car, household durables, or consideration of other loans; and increasingly to provide funds for travel, vacations, college education or a motor boat.

High Credit Standing

The credit record on these personal loans by commercial banks is fantastically good and, in the postwar years, credit losses nationally have averaged less than half of 1%. The Manufacturers Hanover Trust in New York on July 17, 1963 ran an advertisement stating that, on loans totaling over $2 billion made by its Personal Loan Department since 1938, the record of repayment was 99 and 82/100% perfect. That's quite a tribute to the honesty and solvency of our fellow citizens.

Valuable Business for Banks

With the present high cash flow and strong treasury positions of great corporations, their borrowing needs are proportionately less than they were years ago; so this expansion of personal loan bank business has been most welcome. It also carries a substantially higher interest rate than the current prime rate of 4½%. Most personal loans are arranged on a discount basis with the rate depending on regional competition and individual state laws defining interest rates. If the interest charged is 6%, and deducted in advance on a one year loan repayable in equal instalments, the true interest is 12%.

Personal credit, is, of course, only one of the many services of retail banking. Checking accounts, without minimum balance, with a charge for each transaction, are now standard, including personalized check books. Savings accounts are aggressively solicited and monthly debit arrangement transferring funds from checking to thrift accounts are common. Then there are revolving individual credits permitting checks to be drawn on a flexible loan up to a certain amount, with interest charges starting only when checks are drawn.

Branch banking is, of course, a major phenomenon in the business with branches going out to meet the customers in rapidly growing suburban areas, gathering in deposits and providing customer convenience in making personal loans in their own communities. Increasingly, commercial banks compete with savings banks, and savings and loan associations for thrift dollars, and today about 40% of all commercial bank deposits are time deposits (representing an increase of about 7% in the past decade). Banks are now permitted to pay 4% on savings accounts against 2½%, the permissive rate for 20 years prior to 1957.

To offset higher operating costs, banks have gone in extensively for computers and automated accounting machines, so that increased business volumes can now be handled on higher profit margins.

Growth in Profits

Earnings of commercial banks are expected to show significant increases in 1963. In the five year period, 1958/62, net earnings of 25 major banks increased by 32% and cash dividends, by 38%. These earnings stem not only from loans and investments (including increased amounts of tax exempt bonds), but from revenues from trust departments, service charges and fees which now produce about 15% of the gross revenue of the average bank. Growth in earning power is also created in many instances by energetic managements that hustle for business, advertise well, and solicit not only new accounts and loans, but encourage industry to locate and to expand in their service areas.

Desirability of Bank Shares

Bank shares have proved over the years to be among the most dependable and desirable of long term equity holdings. Many banks have paid dividends continuously in this century with cash distribution often supplemented by generous stock dividends and splits. The only reason why bank stocks, which are widely held by institutions, have not been more popular among individual investors is the fact that bank shares are not listed on exchanges, and trade entirely Over-the-Counter. Accordingly, their trading markets have been less publicized. An excellent market is, however, maintained in most major issues where several million shares are outstanding and widely owned by investors.

As background for current selection of bank shares, you might be interested in knowing that for the first half of 1963, a number of banks have reported major gains in net earnings over the corresponding 1962 period. For the first half of 1963, Chase Manhattan increased its net earnings by 7.2%; First National City Bank by 9.6%; Continental Illinois Bank by 7.7%; National Bank of Detroit by 10.9%; Security First National Bank (Los Angeles) by 9%; and Wells Fargo Bank by 20.4%.

In specific, you might want to look into First National City Bank which has paid dividends without interruption for 150 years and in 1962 crossed the $10 billion mark in total resources. The bank has 104 branches in Metropolitan New York and 91 branches or affiliates in 32 foreign countries. Earnings which were $5.80 per share in 1962 (on 13,040,000 shares outstanding) should increase this year. The $3 dividend was augmented by 2% in stock in the last 3 years. First National City shares now sell at 109.

Republic National Bank of Dallas is among the fast growing ones in the Southwest, increasing its earnings from operations from $4.4 million in 1952 to $12 million in 1962. Deposits, which have doubled in the past 10 years, now exceed $1 billion. There are 4,185,000 shares outstanding currently quoted at 69. Cash dividends in 1962 were $1.68 against earnings of $2.88.

Other deserving bank equities now favored by analysts include Wells Fargo, Franklin National Bank (Long Island), Cleveland Trust Co., Bankers Trust Co. (which has just bought a bank on Long Island), Seattle First National Bank, Valley National Bank of Arizona and Citizens National Bank of Georgia. In general, good bank equities are available at 17 to 19 times 1962 earnings, and yield between 3.20% and 3.50%. Whether you're a depositor or stockholder, banks can create most desirable personal assets; and good stocks may expand your net worth rather consistently.

Tax-Exempt Bond Market

BY DONALD D. MACKEY

The markets for state and municipal bonds have shown some further improvement during the past week continuing the bond market advance triggered by the rediscount rate increased from 3% to 3½% and the liberalizing of Regulation "Q" to 4% for certain time deposits. The general interest which followed, particularly for long-term high grade bonds yielding 3.40% or more, developed more spontaneous tax exempt bond business than dealers have witnessed or experienced since the market run-up last December. The buying resurgence attained such proportions that the long prevailing adverse market factors were more or less reversed within a period of a few days thus setting the scene for some further improvement.

Better Tax-Exempt Price Structure Prevails

Although the abrupt market turn-about in face of the rediscount rate increase came as some surprise to many observers, it may be plaus blv explained away by a consideration of the lengthy period of slow market erosion deriving from rumors of rate increases that had persisted through the late spring and even before. The market for tax exempts, and particularly for the remnants of new issues and other secondary market offerings, had fallen back more than was indicated by observing the new issue advertisements or by simply observing the various bond yield indices.

Rarely in the history of state and municipal bond pricing had spreads been generally widened as between new issues and secondary offerings as was the case during May, June and part of July. Dealers competed to a degree which might now appear to have been absurd for new issues while eschewing similar secondary offerings variously available at 2 or 3 points or more cheaper. This obtuse situation still obtains to an extent but the market has been recently more comprehensive and better related.

Inventories Worth More

The inventory situation continues to show some betterment. As new issue volume has moderated, investor interest has gradually turned to available secondary market blocks of bonds. Interest has been particularly manifest in the longer term higher yielding offerings which has helped in reducing the total dealer liability. Being stuck with a block of 40-year bonds is one situation while being stuck with 15 year bonds is quite another.

Thus, within a couple of weeks, the average dealer has been fortunately returned to a more viable situation as regards his inventory. He has less for one thing and what he has is worth a little more than it was a few weeks back.

Yield Index Reflects Improved Market Tone

The Commercial and Financial Chronicle's state and municipal bond yield Index averages out at a 3.053% yield this week as against a 3.07% yield a week ago. This decrease in yield represents a market gain of ⅜ths of a point. The market's recent low point was reached in mid-July with the Index at 3.10%, in dollars close to a point below the present level.

During the past year, as a matter of perspective, the market's high point was reached in early December with the Index at 2.888% or about 3 points better than the current level.

Investors' Dilemma

It continues to be readily apparent that by rule of thumb consideration state and municipal bonds are relatively attractive. However, the market authorities, responsive to much less naive considerations, have recently introduced a deviousness in the general bond market sphere that bids well to inhibit, for awhile at least, the enthusiasm of the tax-exempt bond investor.

In convincing institutional investors that the authorities possess the power to support higher short term rates there may likely be developing some lack of conviction on the part of investors, institutional and otherwise, that the long term bond market can thus be sustained in its present area.

There are so many confusing factors at work in the money market that a spontaneously receptive long term bond market at or close to present levels may not be sustainable. Already there are symptoms to this end but they are thus far merely incipient.

Two Large Offerings Dominate Current Calendar

The new issue calendar is smaller than it has been in several weeks. The total of scheduled and tentatively scheduled new issues through August is now under $500,000,000. Moreover, there are no sizeable negotiated type flotations being readied for flotation within this period. Dealers should have an easy time with this light volume which involves only two issues of $100,000,000 or more thus far.

The big ones are $100,000,000 State of California (1965-1990) bonds set for August 7 and $116,160,000 New Housing Authority (P. H. A.) bonds to be awarded Aug. 14.

MARKET ON REPRESENTATIVE SERIAL ISSUES

	Rate	Maturity	Bid	Asked
California, State	3½%	1982	3.20%	3.10%
*Connecticut, State	3¾%	1981-1982	3.15%	3.05%
New Jersey Hwy. Auth., Gtd.	3%	1981-1982	3.10%	3.00%
*New York State	3¼%	1981-1982	3.05%	2.90%
*Pennsylvania, State	3⅜%	1974-1975	2.80%	2.65%
*Delaware, State	2.90%	1981-1982	3.20%	3.05%
New Housing Auth. (N. Y., N. Y.)	3½%	1981-1982	3.15%	3.00%
Los Angeles, California	3¾%	1981-1982	3.30%	3.15%
*Baltimore, Maryland	3¼%	1981	3.20%	3.10%
*Cincinnati, Ohio	3½%	1981	3.15%	3.05%
Philadelphia, Pennsylvania	3½%	1981	3.35%	3.25%
*Chicago, Illinois	3¼%	1981	3.35%	3.25%
New York City	3%	1980	3.23%	3.15%

July 31, 1963 Index=3.053%

*No apparent availability.

Comfortable Cupboard

As intimated, the inventory situation is a much more comfortable one than obtained a few weeks back. It would be very interesting to know the approximate total but such a figure could not be accurately calculated without a time lag that would render it academic.

The *Blue List* total of state and municipal bond offerings does pretty well for our day to day usage and this definitely indicates a moderated street load. Current total is $486,107,000. There appears little to bulge this total appreciably in the near future unless there are more Wanapums around than anticipated.

Dollar Bonds Moderately Higher

The dollar quoted toll road, toll bridge, public utility and other long term revenue issues were steady and firm during the past week. The Florida 4¾s held the spectacular gain made over a week ago and are now quoted 111½-112¼. Oklahoma 4⅜s gained 1 point on the week and are now quoted 110¼-111¼. It seems likely that further gains might have been registered for most of these issues were it not for the fact that the $197,000,000 Grant County, Washington P.U.D. (Wanapum Dam) issue put some pressure on the dollar quoted markets.

The Commercial and Financial Chronicle's revenue bond Index averages out at 3.42% this week as against 3.44% a week ago.

The Kansas Turnpike statement for the month of June recorded notable gains, the result being that interest was earned 1.41 times as against 1.26 times for June, 1962 and for the six months ended June 30, 1963 coverage was 1.02% as against 0.9% in 1962. For the 12 months ended June 30, 1963 coverage was 1.08% as against 0.98% for the 12 months ended June 30, 1962.

Recent Awards

The competitive new issue calendar this past week has totaled an uninteresting $34,942,000 of bonds which represents the lightest weekly new issue schedule to date this year. There were only a handful of loans worthy of brief mention. Most of these were off to a good start with investors.

Last Thursday there were $2,500,000 Garden City, Michigan School District (1966-1989) bonds awarded to the group headed by *Braun, Bosworth & Co.* at a net interest cost of 3.5102%. The runner-up bid, a 3.54% net interest cost, was made by the Halsey, Stuart & Co., Inc. syndicate.

Other members of the winning group include John Nuveen & Co., Hornblower & Weeks, Kenower, MacArthur & Co., Reynolds & Co., Stranahan, Harris & Co., Watling, Lerchen & Co., Shannon & Co. and Charles Parcells & Co.

Scaled to yield from 2.40% to 3.55% for various coupons, the present balance in account totals $445,000.

Winchester, Kentucky sold $2,333,000 Utilities Revenue Refunding (1964-1987) bonds to *B. J. Van Ingen & Co.* and associates at a net interest cost of 3.3904%. The second bid, a 3.45% net interest cost, was made by a group of Kentucky dealers headed by J. J. B. Hilliard & Son.

Other members of the winning account include Goodbody & Co., J. C. Bradford & Co., Ira Haupt & Co., Cooley & Co., Cherokee

Continued on page 34

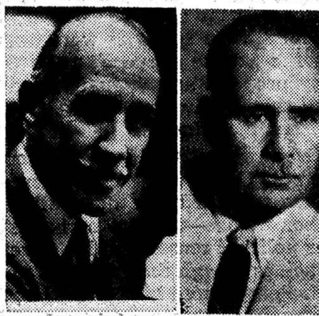
Larger Issues Scheduled For Sale

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

August 1 (Thursday)			
Mississippi (State of)	5,000,000	1975-1982	10:00 a.m.
New Hampshire (State of)	23,435,000	1964-1993	11:00 a.m.
Oregon State Board of Higher Education	9,600,000	1966-1993	9:00 a.m.
Peru, Ausable, etc., S. D., 1, N. Y.	2,260,000	1964-1992	11:00 a.m.
West Seneca, N. Y.	3,736,000	1964-1992	2:00 p.m.
Wichita Falls Various G. O., Texas	3,000,000	1964-1988	10:30 a.m.
Wichita Falls W & S Rev., Texas	5,535,000	1964-1988	10:30 a.m.
August 5 (Monday)			
Washoe County, Nev.	1,250,000	1964-1983	10:00 a.m.
August 6 (Tuesday)			
Boyertown, Pa.	1,090,000	1966-1993	8:00 p.m.
Camden County, N. J.	3,093,000	1964-1987	2:00 p.m.
Clearwater, Fla.	1,800,000	1964-1990	2:00 p.m.
Golden Valley, Minn.	2,975,000	1965-1984	7:30 p.m.
Newark, N. J.	9,330,000	1964-1983	Noon
New Mexico, State Capital Building & Boy's School	6,400,000	1964-1973	10:00 a.m.
Phoenix, Ariz.	12,000,000	1969-1990	10:00 a.m.
Shreveport, La.	4,119,000	1966-1983	10:00 a.m.
Tahoe-Truckee Unif. S. D., Calif.	1,000,000	1965-1983	11:30 a.m.
Yorktown, Etc., Cent. S. D. #1, N.Y.	4,082,000	1964-1993	2:00 p.m.
August 7 (Wednesday)			
California (State of)	100,000,000	1964-1990	10:00 a.m.
Cincinnati, Ohio	9,000,000	1965-1998	Noon
Howard County, Ind.	1,200,000	1964-1983	11:00 a.m.
Howard Co. Met. Comm., Ind.	2,500,000	1965-1993	11:00 a.m.
Masconomet Reg. S. D., Mass.	1,875,000	1964-1983	10:00 a.m.
New York Transit Authority, N. Y.	38,000,000	1966-1987	-------
[Negotiated sale to be underwritten by Phelps, Fenn & Co. syndicate.]			
St. Louis Co. Met. Sew. Dist., Mo.	5,000,000	1964-1992	2:00 p.m.
University of Alaska	1,106,000	-------	-------
Vero Beach, Fla.	1,200,000	1966-1992	11:00 a.m.
August 8 (Thursday)			
Arlington Ind. Sch. Dist., Texas	1,000,000	1964-1993	7:30 p.m.
Jefferson Township S. D., N. J.	3,450,000	1964-1988	8:00 p.m.
August 10 (Saturday)			
Utah State University	3,550,000	1965-2002	10:00 a.m.
August 12 (Monday)			
Goose Creek Cons. Ind. S. D., Tex.	4,290,000	1964-1989	-------
Richardson, Tex.	3,240,000	-------	7:30 p.m.
St. Joseph S. D., Mich.	1,425,000	1964-1992	8:00 p.m.
August 13 (Tuesday)			
Columbus & Franklin Cos. Met. Park District, Ohio	2,800,000	1964-1970	1:00 p.m.
Genesee Co. Drain. Dist. 2, Mich.	1,390,000	1964-1983	10:00 a.m.
Johnson County W. D. 1, Kan.	25,000,000	1964-1993	8:00 p.m.
Naples, Fla.	2,000,000	1964-1988	11:00 a.m.
Radnor Tp. Sch. Auth., Pa.	1,100,000	1964-1991	8:00 p.m.
Sibley Co., Minn.	1,240,000	1965-1979	11:00 a.m.
Southern Ill. Univ.	11,250,000	1966-2003	10:00 a.m.
Sweetwater Jr. Coll. Dist., Calif.	2,000,000	1964-1987	10:30 a.m.
Wash. Sub. San. Dists., Md.	4,000,000	1964-1993	11:00 a.m.
Wayne Twp. Sch. Bldg. Corp., Ind.	4,000,000	1967-1981	10:00 a.m.
August 14 (Wednesday)			
King Co. Renton S. D. #403, Wash.	1,200,000	1965-1983	11:00 a.m.
Local Housing Authorities	116,160,000	-------	-------
Maryland Roads Commission	4,935,000	1964-1978	11:00 a.m.
Woodbridge Twp. S. D., N. J.	4,300,000	1965-1981	8:00 p.m.
August 15 (Thursday)			
Northeast Mo. State Teachers Coll., Board of Regents	2,351,000	1965-2002	2:00 p.m.
Richfield, Minn.	3,275,000	1965-1985	5:00 p.m.
August 16 (Friday)			
La. State Bd. of Ed., N. E. La. State Coll. Housing Sys. Rev.	1,200,000	1966-2003	11:30 a.m.
La. State Bd. of Ed., Polytech Inst. Dormitory Rev., La.	3,200,000	1966-2003	11:30 a.m.
August 19 (Monday)			
Dallas County Rd. Dist. No. 1, Tex.	3,000,000	1965-1983	10:00 a.m.
Las Virgenes Municipal Water Districts, Calif.	3,500,000	-------	-------
Park Co. S. D. No. 6, Wyo.	1,100,000	1965-1972	7:30 p.m.
Sacramento Redev. Agency, Calif.	2,800,000	-------	11:00 a.m.
August 20 (Tuesday)			
Alexandria, La.	11,350,000	1965-1993	11:00 a.m.
Raritan Tp. S. D., N. J.	1,950,000	1965-1983	8:00 p.m.
August 21 (Wednesday)			
Fulton Co., Ga.	15,950,000	1967-1988	11:00 a.m.
San Jose, Calif.	4,200,000	1965-1984	11:00 a.m.
Tulsa Co. Ind. S. D. No. 1, Okla.	5,000,000	1965-1983	10:00 a.m.
August 22 (Thursday)			
Slidell, La.	1,100,000	1967-1993	7:00 p.m.
August 27 (Tuesday)			
White Bear Lake Ind. S. D., Minn.	1,500,000	1967-1989	8:00 p.m.

Banco Credito Opens Municipal Dept. in N. Y. C.

Angel A. Sanz, President, Banco Credito y Ahorro Ponceno, Puerto Rico, and William G. Carrington, Jr., Vice-President, jointly an-



Angel A. Sanz W. G. Carrington, Jr.

nounce the opening of a New York City bond department to engage in the underwriting and distribution of municipal obligations of the United States and Puerto Rico, FHA Mortgages of Puerto Rico, and U. S. Government securities.

Mr. Carrington will be in charge of the new office in 60 Wall Tower and Robert M. Conners, Donald R. MacNaughton and John M. Sipp will be his associates.

In addition to its underwriting, distributing and bond dealing activities the New York office will also manage the bank's bond portfolio.

Mr. Carrington was associated for 23 years with the N. Y. Stock Exchange firm of Ira Haupt & Co. and was partner in charge of the municipal bond department. He has had many years of specialized experience in the marketing of state, municipal and various authority bonds throughout the United States, particularly in those of Arkansas, Florida, Louisiana, Mississippi, New Jersey, New York and Pennsylvania.

Since 1950 Mr. Carrington has been personally responsible in a managerial capacity for underwritings of various Puerto Rican securities in excess of $400,000,000. He has helped inaugurate various customer services for banks and insurance companies.

Banco Credito was founded in 1895 and today operates 37 Puerto Rican branches with total resources of $196,000,000. It has correspondents throughout the United States and in the major countries of the world. Its loan portfolio is diversified in all segments of the expanding Puerto Rican economy. The bank is a member of the Federal Deposit Insurance Corporation.

Wolf Appointed By Reynolds & Co.

MIAMI, Fla. — Reynolds & Co., members of the New York Stock Exchange and other leading exchanges, announce the appointment of Clarence Wolf, Jr., as special representative of the firm in the Miami and Miami Beach areas of Florida.

Mr. Wolf has been associated with Reynolds & Co. for almost 20 years and makes his headquarters at Reynolds' Miami office at 139 E. Flagler Street, Miami.

DEALER-BROKER INVESTMENT LITERATURE AND RECOMMENDATIONS

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

Air Transport Industry — Comments with particular reference to **United Air Lines, National Airlines** and **Continental Air Lines** —H. Hentz & Co., 72 Wall St., New York, N. Y. 10005. Also available are data on **Chicago & North Western** and **Northern Pacific.**

Auto Industry—Bulletin—Hirsch & Co., 25 Broad Street, New York, N. Y. 10004. Also available are comments on **Marine Midland Corp., Singer Corp., Jewel Tea, Maryland Cup, Washington Gas Light** and **Delta Airlines.**

Balance of Payments Problem—Study — Dean Witter & Co., 45 Montgomery Street, San Francisco, Calif. 94106.

Canadian Business Review—Bulletin — Bank of Montreal, P. O. 6002, Montreal 3, Que., Canada.

Canadian Companies — Comparative figures on representative companies arranged by industry—Midland Securities Corporation Limited, 50 King Street, West, Toronto 1, Ont., Canada.

Construction Industry—Review—Calvin Bullock, Ltd., 1 Wall St., New York, N. Y. 10005.

Cosmetic Industry — Analysis — Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Funk & Scott Index of Corporations & Industries — Index of articles on corporations, industries, and general business subjects taken from over 200 financial publications, 350 broker's reports, and speeches before analysts societies — 1962 Annual Cumulative Volume $30. Further information on the weekly or monthly issues available on request—Investment Index Co., 206 F Colonnade Building, Cleveland 6, Ohio.

Gauging the Oils — Discussion — with particular comments on **Amerada, Marathon Oil, Standard Oil of Indiana, Standard Oil of New Jersey** and **Royal Dutch Petroleum** — Goodbody & Co., 2 Broadway, New York, N.Y. 10004. Also available are reports on **Family Finance Corp., Interstate Motor Freight System, Litton Industries, Aluminum Industry, Reynolds Metals, Chandler Leasing, Consolidated Edison, International Telephone & Telegraph, Metro Goldwyn Mayer** and **New York Bank Stocks.**

Germany's Three Leading Banks —Report on **Deutsche Bank AG, Dresdner Bank AG,** and **Commerzbank AG**—Burnham and Co., 60 Broad Street, New York, N. Y. 10004.

Interest Equalization Tax — Discussion—Winslow, Cohu & Stetson Incorporated, 26 Broadway, New York, N. Y. 10004.

Japanese Market — Monthly Review—Daiwa Securities Co., Ltd., 149 Broadway, New York, N. Y. 10006. Also available are studies of **Honda Motor, Kansai Electric Power, Nippon Electric, Shin Mitsubishi Heavy Industries, Sony,** and **Tokyo Shibaura Electric.**

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

Japanese Shipbuilding Industry—Review—Yamaichi Securities Co. of New York Inc., 111 Broadway, New York, N. Y. 10006.

New York City Bank Stocks—Comparison and analysis of 10 New York City bank stocks — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

New York Cty Bank Stocks—Comparative figures at mid-year —First Boston Corporation, 20

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

Puerto Rico—Report on the economy with particular reference to **Bacardi Corp., Banco Credito y Ahorro Ponceno, Banco Popular de Puerto Rico, Commonwealth Oil Refining, Pueblo Supermarkets, Puerto Rican Cement Co.** and **Puerto Rico Telephone**—W. E. Hutton & Co., 14 Wall St., New York, N. Y., 10005. Also available is a discussion of the **Discount Rate and Bank Earnings.**

Railroad Outlook — Analysis—Dept. DB, Commercial & Financial Chronicle, 25 Park Place, New York, N. Y. 10007. Also available are analyses of **Royal Dutch Petroleum, Ford Motor,** and comments on **Clark Equipment, Rayonier, A. O. Smith, Socony Mobil, Gulf Oil,** and **Rockwell Standard Corp.**

U. S. Banks & Trust Companies—125th consecutive quarterly comparison of leading institutions—New York Hanseatic Corporation, 60 Broad Street, New York, N. Y., 10004. Also available is a bulletin on the **Bond Market.**

* * *

Amerada Petroleum Corp.—Comments—Courts & Co., 11 Marietta Street, N. W. Atlanta, Ga. 30301. Also available are comments on **Buckingham Corporation, Georgia Pacific Corp., International Business Machines** and **Continental Devices.**

American Metal Climax, Inc.—Report—Reynolds & Co., 120 Broadway, New York, N. Y. 10005. Also available are comments on **Chrysler** and **Georgia Pacific.**

Christiana Securities Company—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York, N. Y. 10005.

Consolidated Papers Inc.—Review —Loewi & Co., Incorporated, 225 East Mason Street, Milwaukee, Wis. 53202.

Kansas City Southern Industries—Review—L. F. Rothschild & Co., 120 Broadway, New York, N. Y. 10005.

Melnor Industries, Inc.—Study—Bass and Company, Inc., 132 West 31st Street, New York, N. Y. 10001.

Niagara Mohawk Power Corporation—Analysis—The Illinois Company, Inc., 231 South La Salle St., Chicago, Ill.

Northern Pacific—Memorandum—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York, N. Y. 10004. Also available are memoranda on **Eli Lilly, Thrifty Drug Stores, Aluminum,** and **Transportation Industry.**

Schlitz Brewing Company—Comments in current issue of "Investor's Reader"—Merrill Lynch, Pierce, Fenner & Smith Incorporated, 70 Pine Street, New York, N. Y. 10005. Also in the same issue are comments on **Swingline, Inc., Diamond National Corp., Crown Cork & Seal, Pennzoil, Carlisle Corp., Columbia Broadcasting System, American Hospital Supply, Seeburg Corp.** and **Clevite.**

FROM WASHINGTON ... Ahead of the News

BY CARLISLE BARGERON

The country has been spared for 30 days a railroad strike which it is estimated would have cost one billion dollars a month. It was not through any goodness of the railroad brotherhoods but due solely to the railroads which have been trying for 20 years to get out of paying for work that is not done.

The 30-day extension of the time—from July 29 to August 29 —is intended to give Congress time to legislate on this matter of featherbedding, on settling an issue between the roads and the brotherhoods which had defied collective bargaining; indeed, made it completely ineffective. President Kennedy had sent to Congress a bill turning the controversy over to the Interstate Commerce Commission, with instructions to settle the differences —and pending the settlement there is to be no strike and the two parties will be free to reach any voluntary agreement they wish. Because permission is given the disputants the right to make any voluntary agreements they may desire, the President's bill is said not to provide for "compulsory arbitration," a dirty word. Nonetheless, if the bill means anything, it means that the decisions of the Interstate Commerce Commission will be binding on the roads and the brotherhoods if there are no voluntary agreements. If that does not mean compulsion, the English language doesn't mean much.

In view of the history of this dispute, which has continued for four years, with even a Supreme Court decision saying the roads have a legal right to put the anti-featherbedding rules into effect, and the adamant attitude of the brotherhoods against cutting off a single featherbed job, it does not appear likely the brotherhoods are going to agree to anything but will hopefully await decisions favorable to them by the Interstate Commerce Commission.

The Interstate Commerce Commission is to rule within 120 days or as soon thereafter as practical, which might mean anything. And the new work rules handed down by the ICC are to remain in effect for two years. Presumably, Congress will legislate within the 30-day period, which the roads have given it by denying themselves new work rules to get rid of paying for work not performed. The President gave Congress only a week to enact his bill. Congress appealed, through the chairmen of its Interstate Committees, to the roads for a 30-day extension. A number of speeches were made in the Senate supporting the 30-day proposal and virtually pledging that a law would be enacted within that time.

Neither the President nor members of Congress desired to crack down summarily on these railroad labor unions—the brotherhoods—for political reasons. It looks very much as though the President may have engineered his political craft through some stormy waters. His bill, however, is still before Senate and House committees where it could be amended in important respects. Undoubtedly, amendments will be offered to the measure when it reaches the Senate floor and in the House, too, depending on what kind of a rule giving it the right of way is reported by the House Rules Committee. Senator Barry Goldwater of Arizona, Republican, has announced he will offer an amendment to the Railway Labor Act to prohibit all types of featherbedding practices in the railway and air transport industries. The Senator announced that his amendments would bring the railroads into line with the principle of national policy against featherbedding as established in the Taft-Hartley Act and the Lea Act, the latter dealing with the broadcasting industry.

Further Action Needed In Defense of the Dollar

By Paul Einzig

The fact that we finally, at long last, took concrete steps to tackle our balance of payments problem boosted world exchange markets' confidence in, and lessen fears as to devaluation of, the U. S. dollar. In pointing this out, Dr. Einzig urges that we not rest on our laurels, which would lose the favorable psychological influence achieved, but that we convey the impression that other steps will follow. Otherwise, he warns, the world will not be convinced we have fully grasped the gravity of our payments-deficit. Suggests we sell silver to support the dollar to prove that we are not afraid to take resolute action. Present silver policy is termed a luxury we cannot afford and is symptomatic of our earnestness.

LONDON, England—Although the effect on the dollar of the increase of the Federal Reserve rediscount rate to 3½% and of the announcement of the interest equalization tax was not spectacular, there is a distinct improvement in the atmosphere. Prior to steps taken, there was a growing feeling in the foreign exchange markets that, notwithstanding repeated denials, the dollar might after all be devalued. In the absence of any concrete steps taken for its defense the weeks before the annual meeting of the International Monetary Fund would have witnessed an acute dollar scare causing heavy gold outflow from the United States. As it is, the markets are now inclined to assume that the meeting will not result in any sensational changes.

At Long Last Action Was Taken

It is not so much the actual measures as the fact that at long last the United States authorities have gone beyond mere denials of intentions to devalue that really matters. Even the most solemn and categorical disclaimers cannot inspire nearly as much confidence as the indication that the defenses of the dollar are now given priority over the dogmatic pursuit of cheap money policy and of the doctrinaire freedom of international capital movements. Until a fortnight ago it was widely believed that the United States authorities were not prepared to risk halting the business recovery by raising interest rates for the sake of checking the gold outflow, and that they were inspired by a spirit of dogmatism that precluded any departure from *laissez-faire* in respect of capital export. Now it is evident that the defense of the dollar comes first.

It is true, the effect of higher short-term interest rates on the American balance of payments is liable to be offset by the effect of lower long-term interest rates resulting from the interest equalization tax. If we disregard the effect of higher short-term interest rates on the movements of funds, the only way in which they can effectively help the balance of payments is by reducing domestic demand for goods thereby lowering prices and increasing exportable surpluses and export in centers at the same time as discouraging imports. But if lower long-term interest rates that are aimed at by the equalization tax stimulate demand for capital goods this tends to cancel out the beneficial effect of higher short-term interest rates on the balance of payments.

Even so, the two measures, while producing conflicting effects on the balance of current trade transactions, tend to influence international capital transactions in the same sense. They both tend to help the dollar by preventing a pressure through the outflow of capital.

Urges Taking Further Steps

From a psychological point of view the measures may prove to be of the utmost importance, provided that official pronouncement will not convey the impression that the American authorities, having taken these steps, would now be content to rest on their laurels, on the assumption that these steps would be sufficient to correct the situation. The only way in which the measures could continue to exert a favorable psychological influence is if the authorities conveyed the impression that other steps might follow. The first steps are always the most difficult, and it would be helpful if the foreign exchange markets could be satisfied that the authorities would not hesitate to follow them up, if necessary, by further steps in the form of higher interest rates and of departures from absolute freedom of international capital movements.

Suggests We Sell Silver to Prove We Mean Business

Above all, it would be highly beneficial if the Washington Administration could satisfy foreign holders of dollars that it has grasped the full gravity of the chronic balance of payments deficit. A gesture to indicate this would be the adoption of a realistic silver policy. The market price of silver is now practically high enough to make it worth while to use U. S. silver coins for industrial purposes. Before the considerable amount of silver that is in circulation in the United States in the form of coins disappeared as a result of a further rise in the price of silver, steps should be taken to secure the silver for official purposes by replacing the coinage. To that end it might be advisable to keep down the market price of silver by means of official selling, otherwise holders of silver coins might not be keen on surrendering their coins against nickel or other base metal coins that should replace them.

So long as the official policy remains to maintain and even increase the volume of silver in circulation instead of using the metal in support of the dollar, foreign holders of dollars can hardly be blamed if they remained under the impression that American official and expert opinion was still very far from having realized the immensity of their task of defending the dollar. The total involved in officially-held silver and in silver that could and should be withdrawn from circulation is of the order of $4 billion. So long as the authorities convey the impression that they think they can afford the luxury of wasting such an international asset there can be no real revival of confidence in the dollar.

Preston V.-P. of AF-GL Agency

George A. Preston has been elected a Vice-President of Albert Frank-Guenther Law, Inc., 131 Cedar Street, New York City, it has been announced by John V. McAdams, President of the national advertising and public relations agency.

George A. Preston

Mr. Preston initially joined AF-GL in 1953 as an advertising account executive. He left the agency in 1956 and became associated with Riedel & Freede agency. He rejoined AF-GL in 1958 and is currently at the firm's New York uptown office, 44 East 53rd Street.

He is on the membership committee of the New York Financial Advertisers.

Payments Balance Basic Cure —Strong Domestic Economy

By Allan Sproul,* *Director, Wells Fargo Bank, San Francisco, Calif., and Former President, Federal Reserve Bank of New York (1941-56)*

Dissection of our balance of payments problem lays bare our capital accounts as the nub of our immediate difficulty. Mr. Sproul urges tax-cut and other measures to make our economy prosperous and, thus, investments more attractive here than abroad. He warns against subordinating all else to the balance of payments problem under the false notion that it is separable from our domestic economic and world responsibilities. Pointing out we need to survive the short run so we may realize the favors of the long run, Mr. Sproul makes pointed suggestions as to what should be done; opposes capital controls and/or relying exclusively on stringent monetary measures; advocates gold be confined exclusively to official holdings only; cautions against cost-spiral; and gainsays singular blame placed on the Fed's monetization of public debt, creating easy money, for our balance of payments ills.

The details of the balance of payments are continually changing and the approaches to its analysis are numerous. The difficulty, from the standpoint of our national well-being, is that the more the balance of payments changes, the more it is the same. Since it loomed up as serious problem in 1958, after several years of modest deficits, it has responded somewhat to treatment, but the response has now grown sluggish and, it is fair to say, that the longer deficits of the present magnitude continue, the more seriously the situation must be regarded.

Allan Sproul

Past Five Years

First, to get some perspective, let us look at the aggregate figures for the past five years. The deficits in the balance of payments of the United States during this period have totaled approximately $16 billion; $3.5 billion in 1958; $3.7 billion in 1959; $3.9 billion in 1960; $2.4 billion in 1961, and $2.2 billion in 1962. Nor is that quite the whole story. Last year there were about $700 million in debt prepayments by foreign countries and $400 million in prepayments on military orders placed in this country by foreign governments. These were substantial favorable items in our balance of payments which will not reproduce themselves indefinitely and in such amounts, especially since a large part of the remaining debt of foreign governments to our government is now owed by the United Kingdom, which has recurrent balance of payments problems of its own. The preliminary figures of our balance of payments for the first quarter of 1963 help to make the point. Although there were some special adverse factors during that period which tend to exaggerate an extension of the figures for the rest of the year, the deficit in the balance of payments seasonally adjusted was at an annual rate of nearly $3.3 billion.

We have been settling the deficits in our balance of payments mostly by sales of gold to our foreign creditors and by increasing the amount of our foreign short-term liabilities which, in essence, is a quick and easy way of borrowing from foreigners. Of our total deficit of about $16 billion during the past five years, $7 billion was met by sales from our monetary gold stock, another $7 billion was financed by increases in dollar holdings of official foreign and international monetary authorities, and $2 billion by an increase in private foreign dollar holdings.

Grievous State

The most dramatic aspect of this business of keeping our international accounts balance has been the decline in our monetary gold stock; $6.8 billion (net) or nearly 30% during 1958-62. The most threatening aspect has been the increase in our foreign liquid liabilities to a figure substantially exceeding our remaining gold stock which is now slightly below $16 billion. (In balance of payments accounting, small amounts of Treasury holdings of convertible foreign currencies are now included in our liquid assets.)

It is the latter growing disparity of liquid assets and liabilities of the United States which has aroused concern that some sudden increase in international tensions, against the background of a seemingly intractable deficit in the balance of payments, might create widespread fears of currency disorders which would result in a massive conversion of foreign dollar holdings into gold and destroy the stability of the dollar. And it is here that we have shown a great deal of ingenuity and achieved a considerable success in erecting defenses against this sort of thing happening too casually, while we struggle with the underlying problem of bringing our balance of payments more nearly into equilibrium.

Defenses Set Up

As set forth in considerable and illuminating detail in the publications of the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York, these defenses have included reciprocal currency arrangements between the Federal Reserve and foreign central banks and the Bank for International Settlements, and a series of Treasury borrowings by way of issues of special certificates and bonds denominated in the currencies of the European central banks and treasuries to which they have been issued. In the words of Charles Coombs, the Vice-President of the Federal Reserve Bank of New York, who has been chiefly concerned with the network of "swap" arrangements, these agreements are "mutual credit facilities on a stand-by basis. Actual utilizatiion of such swap lines takes the form of drawings which in general, are made only in response to specific short-term needs." A typical use has been the purchase of dollars "from a central bank in excess of those that the bank would ordinarily hold, in effect absorbing or mopping up these dollars for the period of the swap. Such an operation leaves the total dollar holdings of the foreign country unaffected, but it substitutes dollars sold forward to the Federal Reserve for dollars held outright, i.e., without such exchange cover. Therefore Federal Reserve use of swap facilities can provide a temporary alternate to an enlargement of 'outright' dollar holdings of foreign central banks beyond a point at which conversion into gold would become likely." (The largest and most important single currency swap arrangement was announced recently; an increase from $50 million to $500 million in the arrangement between the United States and the United Kingdom.)

A Deeper Hole

The precise purpose of the Treasury issues of securities denominated in foreign currencies, as stated by the same source, has varied somewhat from country to country "but one common characteristic is that these issues provide the foreign countries concerned with an advantageous investment medium for past or present balance of payments surpluses." . . . and "provide this country with an additional source of liquidity which may be particularly useful during periods of United States balance of payments deficits." These arrangements, together with the increased facilities of the International Monetary Fund, have proved their worth in meeting the shocks of the past year, such as the break in the stock markets of the world in May, the Canadian dollar crisis in June, and the Cuban incident in October, and in submerging most of the speculative pressures on the dollar which have subsided in the face of this massive mobilization of resistance forces. Nevertheless, it has to be remembered, and it is acutely in the minds of our monetary authorities, that these defenses are not impregnable and that insofar as they result in an increase in funds which we have borrowed abroad, they will have dug deeper the hole out of which we must eventually climb.

Opposed to Private Gold Holdings

I am purposely leaving out any reference to the so-called "gold pool," which has been set up by the central banks and Treasuries of western Europe and the United States to prevent such fluctuations in the price of gold in the London gold market as might unduly disturb the foreign exchanges and, at times, intensify drains on the gold stock of the United States. I consider this a defense against gyrations in a market that shouldn't exist as a "private" commodity market. The London gold market is an anachronism. Insofar as possible, the free world's gold and its production of new gold should be concentrated in official hands. Providing respectable facilities for the leakage of gold into the private holdings of people who like to speculate in currency values is no longer a reasonable expression of the virtues of free enterprise. More gold went into private uses in 1962 than in any other post-war year, so that something over three quarters of total new supplies (new production and sales of gold by Russia) was lost, at least temporarily, to monetary use. This is folly when it is more important than ever before that gold should make its full contribution as the basic reserve of an international monetary system capable of meeting the needs of a growing world economy.

Basic Guidelines

Now, to look ahead, what is it that we are trying accomplish; what is our objective? The ultimate solution of the balance-of-payments problem of the United States (and the other principal industrial and trading nations) is the firm establishment of an international financial and trading system in which:

(a) the amplitude of the swings in total payments around a balanced position will not be so large nor so persistent as to exceed the limits of tolerance created by:

(1) the size of domestic reserves

(2) international bororwing rights and privileges

(3) the willingness of governments and central banks to hold convertible foreign currencies, whether as reserves or not

(4) the apprehension points of the public at home and abroad.

(b) Both creditor and debtor countries recognize, even more fully than in the recent past, the common interest in the promotion and protection of an international financial and trading system, without undesirable controls and barriers to the movement of capital, goods and services over national borders, and act, separately and together in accordance with that common interest.

(c) The defenses of the monetary sector of that international system, against temporary shocks and speculative maneuvers, are strong enough to withstand the shocks and repel the maneuvers. As I have mentioned, the defenses we now have, have demonstrated such strength. If better progress is not made in reducing the deficit in the balance of payments of the United States, however, and if the pressure on our position continues to build up, no such defenses can be adequate.

Basic Approach

The basic approach to this ultimate solution is through:

(a) A further reduction of barriers to and interferences with the flow of goods, services and capital between the principal industrial countries. Particularly in the area of capital flows, there are still a number of direct and indirect controls of capital movements from the countries of western Europe, including exchange controls and laws or rules governing access to capital markets which, in most cases, have no valid basis in balance of payment terms.

(b) An increase in the awareness of the responsibilities of both deficit and surplus countries for the restoration of payments balance, when serious imbalance develops and persists, and a measure of coordination of their economic policies.

(c) Achieving domestic economic conditions in which monetary policy, fiscal policy and cost-price policy all can contribute to the necessary and continuous adjustments of countries in deficit and in surplus.

(d) Refinement of the means of economical use of international holdings of gold and reserve currencies, necessary for the proper working of the gold exchange standard during the foreseeable future.

The Urgent Problem

The urgent form of the problem of the balance of payments of the United States arises from:

(a) The long continuance of a substantial deficit in the balance of payments of a country which is the principal banker and trader of the Free World, and whose currency is the principal reserve currency of that World.

(b) The questions and doubts which this situation creates, at home and abroad, concerning the maintenance of currency values and convertibility and the successful functioning of the existing international monetary system.

(c) The restraint which a necessary response to the balance-of-payments position places upon monetary and fiscal action to promote a better utilization of domestic resources of men and equipment, and a more rapid rate of economic growth.

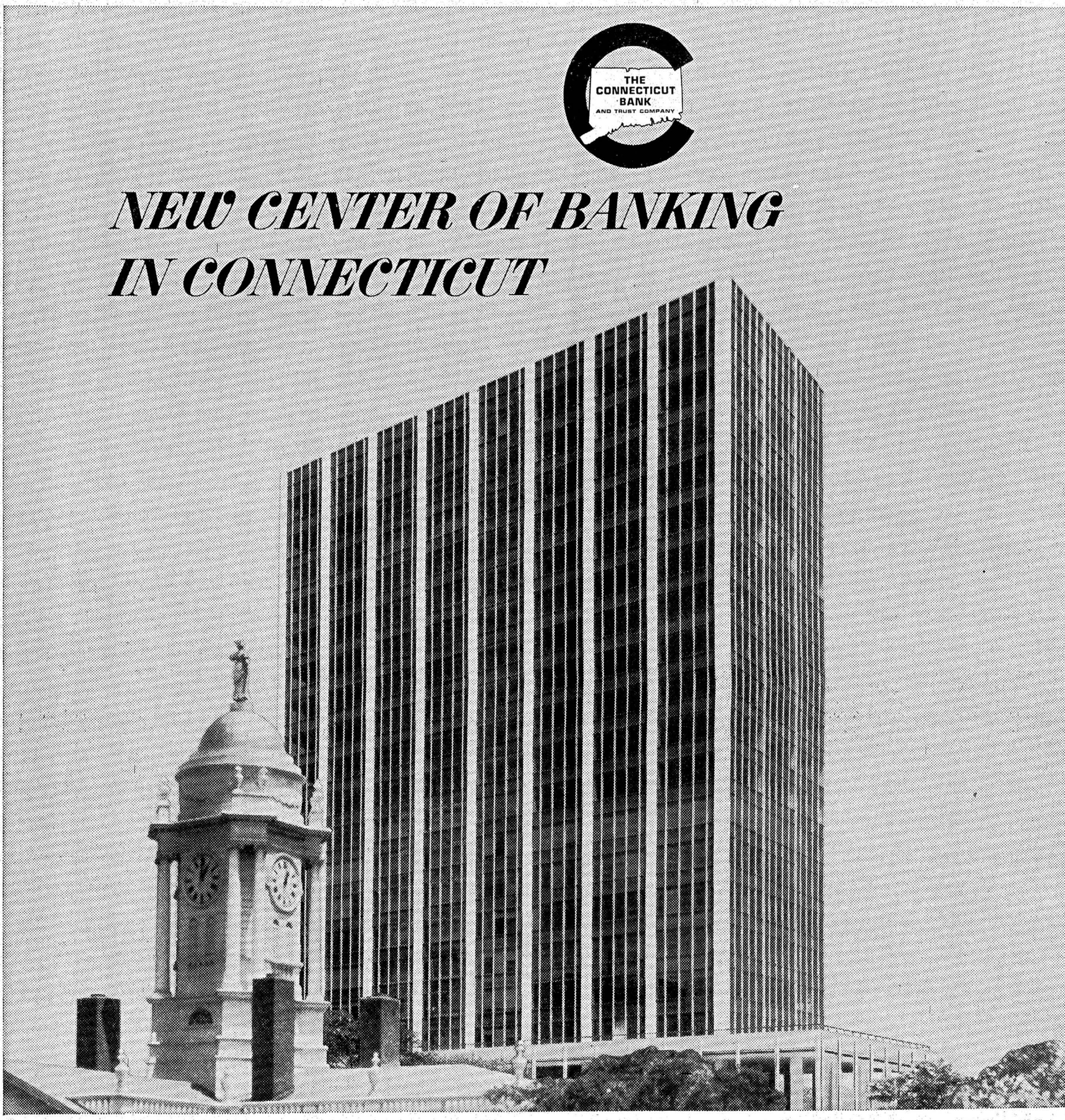
The special character of the deficit in the balance of payments of the United States in the recent years (1958-1962) of heavy deficits has been the failure of the balance on current account and of the balance on capital account to move more rapidly toward adjustment. It seems reasonably clear, however, that while ordinarily the current accounts and the capital accounts should adjust to one another by successive approximations, over time, the kernel of the immediate difficulty is with the capital accounts.

Our Trade Accounts

The items to be covered out of a surplus in the current accounts (trade and non-military service items) have increased greatly during the past decade. The gains in our current account surplus, during the most recent years, have been mostly in the amount of private investment income, a direct result of earnings on private investments we have made abroad in previous years. In fact, during 1962 as compared with 1960, our commercial trade balance actually declined. Yet it has been popular and still sounds healthy to suggest that the best way—the right way—the American way—to correct the deficit in our balance of payments is by increasing our favorable balance of trade.

The trade accounts of the United States in the balance-of-payments figures have consistently shown a large surplus during the years of heavy overall deficits; the United States share of total world trade has been maintained at levels which for any of the years prior to World War II are hisctorically high, and in most lines of business United States exports have appeared to be competitive thus far. It does not seem likely that the favorable balance on current account can be increased materially in the proximate future. Our general technological advantage over the countries of western Europe and Japan, which persisted for a decade after the war, has shrunk or disappeared; a lessening in the momentum of economic growth in these competitor countries will mean stiffer competition, even though there has been some narrowing of the spread between their costs and prices and ours during the past year which may show up more strongly over time

Continued on page 22



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MEMBER F.D.I.C.

IBA Challenges Saxon on Underwritings by Banks

Mr. Amyas Ames charges the Comptroller of the Currency with stepping completely out of bounds with "de facto" decisions already made, and with respect to proposed regulations, authorizing national banks to underwrite revenue bonds. The investment banker is a senior partner of Kidder, Peabody & Co. He believes that many member banks of the I B A agree as to the illegality of Mr. Saxon's actions in view of their refraining from bidding, despite the Comptroller's favorable dispensation, on Illinois Public Building Commission, Pennsylvania State Authority, Virginia Public School Authority, and Georgia Rural Roads Authority revenues. Mr. Ames' letter response to the proposed rule, allowing Comptroller discretionary powers to authorize banks to underwrite and deal in revenue bonds and to metamorphize certain revenue bonds into general obligations, is a documented brief which holds such a step is in violation of the governing law. Mr. Ames notes PHA's special exemption had to be granted by Congress and summarizes the facts involved in the four recent rulings.

At the second annual Municipal Conference of the Investment Bankers Association, held at Chicago, Ill., June 19-21, 1963, the Comptroller of the Currency announced and explained his proposed regulation to broaden the investment areas of national banks. The regulation appeared officially in the June 21 "Federal Register" (See CHRONICLE of July 11, 1963, Second Section, pp. 3ff., for full text of proposed rule making and Mr. Saxon's explanatory address) and invited written comments in the ensuing 30 days.

Amyas Ames

Comptroller James J. Saxon's proposal allowing banks to underwrite certain designated revenue bonds and to consider such bonds as equivalent to general obligation bonds raised a storm within the investment banking industry which still rages on.

In responding to Mr. Saxon's invitation for comment about the proposed rule-making power sought by the Comptroller, Mr. Amyas Ames, President of the Investment Bankers, Assn., and senior partner of Kidder, Peabody & Co., challenged the legality of the proposed rule making under the current law in a communication dated July 26, 1963.

We reproduce herewith the full text of Mr. Ames' letter to Comptroller Saxon and the accompanying appendix citing objections to Mr. Saxon's rulings authorizing National Banks to deal in and underwrite recent bond issues by four State agencies:

Hon. James J. Saxon
Comptroller of the Currency
U. S. Treasury Department
Washington 25, D. C.

Re: Proposed Rule on "Investment Securities"

Dear Mr. Saxon:

Notice of the proposed rule relating to the purchase, sale, underwriting and holding of investment securities by National Banks, published in the Federal Register of June 21, 1963, invited comments regarding the proposed rule. The purpose of this letter is to **object:**

(1) To the adoption of section 1.4 of the proposed rule authorizing a bank to deal in, underwrite and purchase and sell for its own account a "public security," because the law does not grant to the Comptroller of the Currency power to authorize banks to deal in or underwrite any securities; and

(2) To the adoption of subdivision (e) of section 1.3 of the proposed rule defining "general obligation of any State or of any political subdivision thereof," because the definition would include **revenue** bonds which are not secured by the full faith, credit and **taxing** power of the issuer.

Governing Pertinent Provisions

The controlling statutory provision is the Seventh paragraph of R. S. 5136, as amended (12 U.S.C. 24), the pertinent parts of which provide:

"The business of dealing in securities and stock by the association (national bank) shall be limited to purchasing and selling such securities and stock without recourse, solely upon the order, and for the account of, customers, and in no case for its own account, and **the association shall not underwrite any issue of securities** or stock: Provided, That the association may purchase for its own account investment securities under such limitations and restrictions as the Comptroller of the Currency may by regulation prescribe. . . . As used in this section the term 'investment securities' shall mean marketable obligations, evidencing indebtedness of any person, copartnership, association, or corporation in the form of bonds, notes and/or debentures commonly known as investment securities under such further definition of the term 'investment securities' as may by regulation be prescribed by the Comptroller of the Currency. Except as hereinafter provided or otherwise permitted by law, nothing herein contained shall authorize the purchase by the association for its own account of any shares of stock of any corporation. **The limitations and restrictions herein contained as to dealing in, underwriting and purchasing for its own account, investment securities shall not apply to obligations of the United States, or general obligations of any State or of any political subdivision thereof,** or . . . ."

(1) The Law Does Not Grant to the Comptroller of the Currency Power to Authorize Banks to Deal in or Underwrite any Securities

Section 1.4 of the proposed rule would authorize a bank to deal in, underwrite, purchase and sell for its own account a "public security."

Law Is Specific

The law specifically provides that no bank shall underwrite any issue of securities, but that a bank may purchase for its own account investment securities under such restrictions and limitations as the Comptroller of the Currency may by regulation prescribe. It then provides that the "limitations and restrictions herein contained as to dealing in, underwriting and purchasing for its own account, investment securities" shall not apply to specified classes of securities, which include "general obligations of any State or of any political subdivision thereof."

The Comptroller of the Currency is granted power to prescribe restrictions and limitations for investment securities. He is not granted any power to prescribe what securities banks may deal in or underwrite. Congress in the law has carefully specified the classes of securities which are excepted from the general prohibition against bank underwriting or dealing in securities.

Consequently, it is **improper** for the Comptroller of the Currency in section 1.4 of the proposed rule to authorize banks to deal in or underwrite "public securities."

(2) The Proposed Definition of "General Obligation of Any State or of Any Political Subdivision Thereof" Would Include Revenue Bonds Not Secured by the Full Faith, Credit and Taxing Power of the Issuer

Subdivision (e) of Section 1.3 of the proposed rule would define "general obligation of any State or of any political subdivision thereof" as follows:

"(e) The phrase 'general obligation of any State or of any political subdivision thereof' means an obligation supported by the full faith and credit of the obligor. It includes an obligation payable from a special fund when the full faith and credit of a State or any political subdivision thereof is obligated for payments into the fund of amounts which will be sufficient to provide for all required payments in connection with the obligation."

Clear Cut Meaning

Definition of this term is unnecessary because it has a clear and accepted meaning; but if a definition of this term is included in the proposed rule it assumes importance because the law authorizes banks to deal in, underwrite and purchase for their own account bonds of the class defined, "general obligations of any State or of any political subdivision thereof."

It is recognized without exception that "general obligation" state and municipal bonds are secured by the issuer's pledge of its full faith, credit and **taxing** power for the payment of the bond. Illustrative of the unanimity of acceptance of this meaning in the financial community, by government agencies and by investors are the following:

"Municipals," published in 1941 by the Committee on Municipal Obligations of the National Association of Supervisors of State Banks, described general obligations as follows (page 33):

"General Credit Obligations. The best known type of municipal security is the general credit obligation, also called full faith and credit, in which the issuing unit agrees unconditionally to pay the obligation. Ordinarily interest and principal are to be paid from the general fund, but sometimes special revenues are also pledged. In the latter case, the unit agrees unconditionally to levy taxes to cover any deficit which may later develop in the fund primarily responsible. Thus general credit obligations rest upon the taxing power."

The "Guide For Municipal Bond Credit Files," published by the National Bank Division of the American Bankers Association in 1951 states (page 5):

"General obligation means municipal securities in the form of valid and legally binding instruments backed by the full taxing power of a state, or a political subdivision thereof, having the power of general property taxation and enforcement. They are full faith and credit obligations."

George Wanders Cited

"Municipal Bonds," prepared by George Wanders, then Editor of The Daily and Weekly Bond Buyer, stated (page 9):

"First and most important are 'general obligations,' which are full faith and credit, and payable from the general taxing power."

"The ABC of Municipal Bonds" by Louis S. Lebenthal, published in 1937, stated (page 74):

"Let's talk a little about the best of them all, direct and general obligation bonds — those which are secured by the full faith and credit of an entire community; are backed up by the unlimited taxing power of the municipality; . . ."

"Fundamentals of Municipal Bonds," published by the Investment Bankers Association of America in 1963, states (page 3):

"'General Obligation' bonds are secured by the issuer's pledge of its full faith, credit and taxing power for the payment of the bond."

"Pitfalls in Issuing Municipal Bonds," published by Moody's Investors Service in 1963, states (page 3):

"This booklet will deal primarily with **general obligation bonds** in which the issuing unit of government makes an unconditional promise to pay the interest and principal. The issuer of this kind of bond has a definite, absolute obligation to raise the money to pay the bonds, increasing tax levies if necessary. This type of bond is the one most frequently issued. Sometimes it is known as a full faith and credit bond."

McQuillen on "Municipal Corporations" (3rd Edition) states (Volume 15, p. 477, section 43.05):

"General obligation bonds are bonds which are payable from an unlimited general ad valorem tax on all taxable property."

Finally, it is particularly significant to note that in 1949, Mr. J. L. Robertson who was then Deputy Comptroller of the Currency in a letter to Mr. Phillips Barbour of The Municipal Forum of New York stated that:

"Undoubtedly there are some special revenue obligations which are to be preferred over the general obligations of certain municipalities, but, broadly speaking, general obligations are inherently on a higher plane of credit soundness **because they are supported by the full taxing power of the governmental unit** rather than by the net operating revenues of an airport or a hospital, for examples." (Emphasis supplied)

Where Proposed Rule Errs

The first sentence of subdivision (e) of section 1.3 of the proposed rule does not require that the bond be secured by the **taxing** power of the obligor.

The second sentence of subdivision (e) would include an obligation payable from a special fund which is not secured by the full faith, credit and **taxing** power of the issuer but to which other entities are obligated to make payments. Such bonds would not be general obligations of the issuer secured by the taxing power of the issuer; and the bonds would not be general obligations of the entities making payments to the special fund because such entities would be obligated only to make payments to the special fund (which obligation might be eliminated if the facility for which payments were made were destroyed or never completed) and would not have any unconditional obligation to pay the principal of and interest on the bonds. Clearly such bonds would be revenue bonds.

If "an obligation payable from a special fund when the full faith and credit of a state or any political subdivision thereof is obligated for payments into the fund of amounts which will be sufficient to provide for all required payments in connection with the obligation" were a "general obligation of a state or political subdivision thereof" within the meaning of paragraph 7 of R.S. 5136, Congress would not have amended paragraph 7 of R.S. 5136 specifically to except from the limitations and restrictions therein against bank dealing and underwriting bonds issued by local housing authorities and secured by an annual pledge of the net rental revenues of the local housing authority and an annual contributions contract with the Public Housing Administration of the United States obligating the PHA unconditionally to pay annual contributions of amounts which will be sufficient to pay the principal and interest on the bonds when due. The obligation of the PHA to pay the annual contributions is unconditional and has been held to pledge the faith of the United States for such contributions. The fact that Congress found it necessary to amend paragraph 7 specifically to except from the restrictions and limitations therein a bond payable from a special fund for which the credit of the United States was pledged when paragraph 7 already excepted "obligations of the United States" indicates clearly that the term "general obligation of any state or of any political subdivision thereof" is not intended to include an obligation payable only from a special fund when the full faith and credit of some other entity is obligated for payments into the fund.

Unauthorized Metamorphism

There is no authority by administrative definition to convert a revenue bond payable from a special fund (which is not secured by the full faith, credit and taxing power of the issuer) into a general obligation of a state or political subdivision thereof.

In accord with the foregoing comments, we respectfully suggest

Continued on page 24

Long-Term Capital Sources For Small-Medium Business

By H. Frederick Franklin,* *Underwriting and Industrial Department, Schwabacher & Co., San Francisco, Calif.*

Small- and medium-sized companies should find in this compact review an excellent guide to various sources of long-term financing. They also should obtain an illuminating rule-of-thumb approach to determining the preferable type of financing. Discussion stresses the cost and other advantages of private placements which range from $100,000 and up and most frequently exceed $500,000; checks off what SBIC's and commercial banks can do; notes that public offerings of "best-efforts issues or intrastate issues" are avoided by most investment bankers; and outlines compensations of merger and acquisitions to the smaller company.

Today the small or medium-size business has a number of available sources for new capital. Sources include public financing, merger, and private placements. I would like to emphasize private placements or institutional financing, since this is a growing area, and perhaps less is known about it. Very briefly, I will also try to cover public offerings and mergers.


H. Frederick Franklin

In discussing long-term financing I think it is well to assume that normal sources for current and term financing, such as commercial banks, have been exhausted, and that the Company's need is truly long term. I will also try to go over some of the tests that an investment banker will normally apply to different situations, although it is very difficult to generalize. My remarks will be primarily intended for the Company that has had a successful five-year history, after-tax earnings of at least $50,000, and a net worth of around $500,000 or more.

As investment bankers, we see all types of businesses and try to be helpful in most situations. In a year's time we will normally be involved in initiating financings or mergers which range in size from a couple of hundred thousand to many millions of dollars.

I
Young Companies and New Ventures

A frequently asked question is what sources of capital are open to the relatively new company with small earnings or the brand-new company with no history. In most cases we refer the new company or inventor to a risk capital group, or suggest that the initial capital be raised from friends and relatives. The investment banker cannot afford to make his living on this type of business, nor can he ask his clients to risk their funds in untried ventures.

SBIC's as a Source

One source of capital for the very small company with some history is the Small Business Administration. Under certain conditions the SBA will make loans for 5 to 10-year periods and for amounts up to $350,000. There are various requirements to be met. The most important requirement is that two banks provide a letter saying that they are unwilling to provide the capital requested. The SBA has certain qualifications identifying the small business by number of employees, and amount of sales, and type of enterprise—wholesale, retail, or manufacturing business. The SBA only makes secured loans. Loans are made with five or six-year maturities to supply working capital and up to 10 years to provide new facilities. The SBA also has a program of participation with commercial banks.

If in addition to long-term debt, additional equity is needed, an investment banker may be willing to find the necessary equity capital. This could be provided by a group of individuals who can afford a large risk, by the SBIC's, and by organized venture capital companies, of which there are some both on the East and West Coast.

In appraising a situation for additional risk capital, the investment banker must foresee the opportunity for the new capital to become liquid eventually through means of a public offering or merger. Necessary ingredients include a large enough market for the company's products, management ability, and the ability to compete profitably. Enough capital should be raised at one time so that equity financing at too frequent intervals is not necessary.

II
Institutional Financing (Private Placements)

A private placement is normally the private sale of securities to an institution. Institutional buyers include insurance companies, pension funds, and foundations. The institutions have grown so large in the last few years that they are now interested in investing in the bonds or notes or perhaps the preferred stock of small companies in some degree. The type of security normally placed with such an institution is a long-term unsecured note with a maturity of anywhere from 12 to 20 years, or mortgage notes or notes secured by a leaseback. Where the debt is unusually heavy with respect to the earning power and net worth of the company, some equity may be involved, such as a note convertible into common stock or a note which carries warrants to purchase common stock. It may be possible to subordinate such notes, but they may demand a senior position.

With respect to a private placement I think that there are several aspects that make this type of financing particularly attractive for the company that needs new capital. Reasons include the cost-of-capital concept, the present value concept, and the lower out-of-pocket costs of private placements versus public financing.

Cost-of-Capital Is Lower

The cost-of-capital concept refers to the economic cost of various types of long-term money. Although this concept is used more typically in capital budgeting, it can influence the source of capital to be chosen. This may be made clear by a simple illustration. The economic cost of raising $1 million through a 6% bond issue, or 6% notes, with a 50% tax bracket would be 3% after-taxes. The economic cost of selling $1 million worth of 4½% preferred stock would be 4½%, which is the dividend that must be paid on the preferred stock. Therefore, preferred stock has a greater economic cost than straight debt. At still greater cost would be an issue of common stock where the price-earnings multiple is low. Every new share of stock that is sold should earn at least as much as the old shares. Therefore, if a company sells stock to net (after all expenses) eight times earnings, the cost after-taxes is 12½%. If stock is sold to net 12 times earnings, the after-tax cost is 8⅓%. This is illustrated in our table.

The present value concept is a theoretical method of placing a time value on money. If a company can profitably reinvest retained cash in its business a longer term debt maturity has definite value. How much value long-term debt has over the short-term will depend upon the rate at which a company is able to reinvest its cash savings. The higher the rate a company is able to earn on capital, the greater value the long-term debt has relative to short-term. It may be shown statistically that the present value of the cash savings of a 15-year $1 million note at 5½% versus a 7-year $1 million conventional term loan at 5½% is $136,400 at a reinvestment rate of 10% and $167,000 at a reinvestment rate of 15%.

Lower Out-of-Pocket Cost

Another advantage of the private placement over public financing is the lower out-of-pocket cost. A $1 million to $3 million debt placement might cost a company 1½% to 2½%, including an investment banker's charge

Continued on page 25

Cost of Capital

	Present	After Issuance of: 6% Bonds	Common @$8	Common @$12
Operating earnings	$500,000	$560,000	$750,000	$666,666
Interest	------	60,000	------	------
Profit Before-Taxes	$500,000	$500,000	$750,000	$666,666
Taxes	250,000	250,000	375,000	333,333
Profit After-Taxes	$250,000	$250,000	$375,000	$333,333
Earnings Per Share: 250,000 Shares	$1.00	$1.00	$1.00 (375,000 shs.)	$1.00 (333,333 shs.)
Ratio: Incremental Oper. Earns. Required to Amt. of Capital Raised	------	$60,000	$250,000	$166,666
	------	$1,000,000	$1,000,000	$1,000,000
Cost of Capital, Pre-Taxes	------	6%	25%	16⅔%
Cost of Capital, After-Taxes	------	3%	12½%	8⅓%

The State of TRADE and INDUSTRY

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

"Optimistic" is the word used by 52% of the Purchasing Executives when asked to describe in a word their attitude about the present business picture. "Satisfied" received 25% of the votes and "concerned" only 20%. It is interesting to note that in the June report a year ago, the new order and production figures were not too far from current levels. Yet when asked the same question, 51% said "concerned," 15% "satisfied," and only 27% "optimistic."

These business trend views are based on the composite views of the National Association of Purchasing Agents' Business Survey Committee, whose Chairman is E. F. Andrews, Vice-President-Purchases, Allegheny Ludlum Steel Corp.

Those reporting "better" new order and production figures this month outnumber by a fair margin those reporting "worse," but the figures are less attractive than June. It must be noted however, that in every year since 1958, July new order and production figures have been less attractive than June.

New Orders	Better	Same	Worse
July	32	47	21
June	34	51	15
Production			
July	31	48	21
June	33	54	13

Encouraging Business Optimism Expressed

This is the time of year when the so-called "summer doldrums" set in. In an effort to get some measure of this, the Committee asked its members whether they planned to shut their plants down for a vacation. 42% said "yes"; 58% said "no." Of the 42% who said "yes," 23% planned for one week, 65% for two weeks, and 12% for three weeks. Nevertheless, in spite of the "summer doldrums" and the anticipated inventory liquidation, the optimistic tone in the remarks and the lack of serious deterioration in the figures is encouraging.

Purchased Materials Inventories

Inventory accumulation ground to a virtual halt; however, the runaway liquidation expected by some failed to appear. Perhaps it is too early. Next month's figures will bear careful analysis. The same number as in June, 27%, report higher levels and only 22%, up from 17%, report lower stocks. A special question asked members how they expected their Sept. 30, and Dec. 31, inventory levels to compare with June 30 stocks: 38% expect their stocks on Sept. 30 to be lower, and 42% expect their stocks on Dec. 31 to be lower, than June 30 levels. Approximately half of the members plan no change. It is interesting to recall that our February report noted 38% of our members were building stocks as a hedge. Now it would seem that the same number plan to lower their stocks by Sept. 30, with carefully planned readjustment continuing into the end of the year.

Specific Commodity Changes

Considerable price activity occurred in July, with a slight edge on the up side. Lumber and plywood tags reflected the West Coast strike and plywood joined cadmium on the short supply list. The effect of government stockpile releases on the cadmium shortage has not yet been fully determined. Chemicals generally were weak.

On the *up* side are: Aluminum products, lead, zinc, cornstarch, lumber, plywood, and welded fittings.

On the *down* side are: Steel scrap, sugar, multiwall bags, phthalic anhydride, and trichlorethylene.

In *short* supply are: Cadmium and plywood.

Bank Clearings 15.6% Above 1962 Week's Volume

Bank clearings in the latest statement forged ahead of 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, July 27 clearings for all cities of the United States for which it is possible to obtain weekly clearings were 15.6% above those of the corresponding week last year. Our preliminary totals stand at $32,134,333,543 against $27,805,737,609 for the same week in 1962. Our comparative summary for some of the principal money centers follows:

Week End. July 27—	1963 (000 omitted)	1962 (000 omitted)	%
New York	$18,477,989	$14,885,124	+24.1
Chicago	1,290,390	1,240,971	+ 4.0
Philadelphia	1,098,000	1,054,000	+ 4.2
Boston	855,472	820,204	+ 4.3
Kansas City	554,263	530,939	+ 4.4

Steel's 4.3% Decline Marks Eighth Drop in Past Nine Weeks But Stays 23.4% Above Year-Ago Week, and July's Output Exceeds 1962 Period by 43.7%

According to data compiled by the American Iron and Steel Institute, production for the week ended July 27 was 1,856,000 tons (99.6%) as against 1,939,000 tons (*104.1%) in the July 20 ending week. The week to week output dropped 4.3% and it marks the eighth weekly decline out of the past nine weeks. Last week's decline edged below the 1957-59 base period's average weekly output and was the lowest production since the Dec. 29-ending Christmas holiday week!

The year's weekly high was 2,626,000 net tons achieved May 25-ending week unequalled in the past two years and last equaled in mid-March, 1961. The July 27-ending week's output exceeded last year's week by 23.4%.

Steel production in July for the week ending July 6 through July 27 came to 7,917,000 net tons. This sum was 43.7% greater than that for the week ending July 7 through July 28 period in 1962.

Out of the 30 weeks of this year's steel output, production declined in 10 of those weeks and rose for 13 consecutive weeks from the week ending Feb. 2 through April 27 out of 20 weekly periods of steel output advances in 1963. During those 13 weeks of consecutive weekly increases, output advanced 36.8% (1,863,000 to 2,548,000 net tons). Not since the fall of 1954 has the industry experienced such a long sustained sequence of consecutive weekly rises. In the autumn of 1954 beginning with Sept. 5 until Dec. 6, steel output rose to 30.4% (1,502,000 to 1,958,000 net tons). There was a sustained decline of six weeks in a row from June 1 through July 6 when output rose for the July 13-ending week and, as explained above, dropped in the last two statement weeks.

Since the June 21 steel labor-management contract settlement, the output decline which had set in end of last May in anticipation of an amicable (non-strike) agreement became more marked.

Evidence of a returning buyers' market is apparent and will dampen any further price hike thoughts until real demand resurges, as in the Feb.-May period just past. Total steel demand then, of course, was boosted by strike-hedge buying. European excess capacity will also serve to keep prices from rising until GNP growth in the ECM countries resumes its previous noteworthy pace.

The expected fourth quarter GNP upturn, and fear of a month-away rail strike, may lead to a slow but steady reversal of steel output trend despite large stocks of steel still on hand due to earlier steel strike misgivings.

June's steel output came to 10,700,000 ingot tons — down from nearly 11,500,000 in May but 60% above June, 1962's total output for the year's first half being almost 59,600,000 tons or 5,509,000 more than January-June, 1962.

For the ninth week in a row this year, the cumulative total output of ingots and castings since Jan. 1 topped the year-ago period with a total of 67,318,000 net tons (*20.5%) which is 12.3% above the Jan. 1-July 28, 1962 production of 59,923,000 net tons.

District—	*Index of Ingot Production for Week Ending July 27	July 20
North East Coast	93	93
Buffalo	88	92
Pittsburgh	91	96
Youngstown	84	91
Cleveland	110	114
Detroit	137	149
Chicago	101	107
Cincinnati	120	126
St. Louis	113	89
Southern	112	117
Western	100	106
Total industry	99.6	104.1

* Index of production based on average weekly production for 1957-59.

Construction to Buoy Steel Market

Construction will be the steel market's mainstay over the next few weeks now that the Big Three automakers are starting model changeovers, *Steel* magazine said.

Other industries — appliance manufacturing, machinery, and railroad carbuilding—will provide valuable support and help to offset seasonal losses in such markets as agricultural equipment.

Some mills think orders have already reached their low point; others say demand won't hit bottom for a few more weeks.

Most observers are convinced that the market won't improve materially until the vacation season ends and automakers start turning out their 1964 models — events that are three or four weeks away.

Steelmakers expect their shipments to drop 10 to 15% in August as users start liquidating the inventories they built for strike protection.

Users will trim stocks by about 550,000 tons — the margin by which their August consumption (estimated at 6.25 million tons) will exceed shipments from U. S. and foreign suppliers.

August will be a month of declining steel production, shrinking backlogs, intensified competition, and renewed emphasis on quick deliveries.

Look for ingot production this week to be less than the 1,845,000 tons that *Steel* estimates the industry poured last week. Operations are close to 60% of unofficial capacity compared with the mid-year rate of about 85%.

Steel's price composite on No. 1 heavy melting grade of scrap held last week at $25.67 a gross ton. A limited supply of scrap is an important factor in sustaining price strength in the market.

Not as Drastic Steel Drop As in 1962 Expected

The steel order rate has stabilized and the market apparently will bottom out in August, *Iron Age* magazine reported.

This means that the market slide following the steel labor settlement will be far less severe and of much shorter duration than in 1962. Last year, the correction was not completed until August following the March labor agreement. This year, with the settlement in June, the worst will be over in about two months.

On the basis of current orders, the steel operating rate will probably not drop below 50% of capacity. In 1962 it dipped into the low 40's.

This does not mean there will be a major rebounding in September or early fall. Instead the recovery will be gradual and shipments will probably not reflect the rate of chew-up—until November.

One factor behind the relative stabilization of the market is traced to the big steel consuming auto companies. As predicted earlier, the automakers are drawing their inventory correction out over a period of months. But while this helps ease the current order picture, it will contribute to a relatively slow recovery over the autumn months.

The outlook, then, is for shipments to hit their low point in August, with a gradual recovery through September, October, and November. The rate then depends on the general business picture at that time.

While the optimistic notes have to be considered in perspective, most steelmen are moderately cheered by the less-than-expected severity of the correction period.

This does not mean that lean times can be avoided. Third quarter earnings will be down substantially from the profitable second quarter figures now being released.

If the operating rate drops close to 50% of capacity—and is slow recovering — third quarter earnings will not be anything to crow over. However, the outlook for the third quarter and the entire second half is more cheerful than it was a year ago. In the third quarter then, only one major company earned its dividend, and dividends were slashed by several major producers.

And some steel companies are frankly pessimistic about the summer months. However, with most the feeling persists that the worst is over and it was not as bad as expected.

Peak Auto Output Set to Beat Rail Strike Threat

Production of passenger cars in the U. S.—already in '63 at an all-time high for any model year —will also set a peak for any July, *Ward's Automotive Reports* said.

In an apparent "rushout" to escape possible distribution disruption in event of a rail tie-up, auto makers will assemble upwards of the 659,763 cars made in July, 1955, the previous peak for the month.

Ward's said the industry originally programmed 628,000 cars for the month, but many units were pulled out of August plans because of the rail strike threat. Last week, entire General Motors Corp. and Chevrolet division, singly, set new highs in weekly output. Operations this week were scheduled at similar levels before the stay in rail talks developed.

The statistical service said industry output last week included 149,707 passenger cars, compared with 159,040 made last week. In the same week of a year ago, assemblies totaled 136,172.

More industry plants reached the '63 model runout last week; GM Corp. facilities at Linden (N. J.) and South Gate (Calif.) were winding up a full slate last week. GM plants elsewhere will end the company's record run this week.

Chrysler Corp. closed out '63 last Friday at its Detroit Plymouth plant and also at Los Angeles and Newark (Del.) Dodge-Plymouth plants. Its Detroit Chrysler plant ended two weeks ago; Hamtramck (Mich.) and St. Louis complexes will close this week.

American Motors, after a record run for that company's Rambler cars, also ended '63 operations last Friday. Studebaker assembly resumed for the Avanti car, but Lark-Hawk output ended at South Bend for '63 late last month.

Ford Motor Co., which will be the last auto maker to wind up operations for the year, is yet in overtime production of standard Ford cars. Along with 11 Chevrolet plants, seven Ford lines operated through Saturday of last week.

Of output programmed last week, GM Corp. was expected to account for 59.8%; Ford 23.3%; Chrysler Corp., 12.1%; American Motors, 4.8%, and Studebaker, nil.

Rail Freight Loadings Up 12th Week in a Row Over Year-Ago And Ton-Miles Up 10% Over 1962

Loading of revenue freight in the week ended July 20, totaled 587,693 cars, the Association of American Railroads announced. This was an increase of 79,968 cars or 15.8% above the preceding week when loadings were affected by the final week of the coal miners' annual vacation.

The loadings represented an increase of 29,575 cars or 5.3% above the corresponding week in 1962, marking the 12th consecutive weekly rise, and an increase of 3,556 cars or six-tenths of 1% above the corresponding week in 1961.

Ton-miles generated by carloadings in the week ended July 20, 1963, are estimated at approximately 12.5 billion, an increase of 10.0% over the corresponding week of 1962 and 10.9% over 1961.

There were 13,858 cars reported loaded with one or more revenue highway trailers or highway containers (piggyback) in the week ended July 13, 1963 (which were included in that week's over-all total). This was an increase of 948 cars or 7.3% above the corresponding week of 1962 and 3,128 cars or 29.2% above the 1961 week.

Cumulative piggyback loadings

Continued on page 34

MUTUAL FUNDS

BY JOSEPH C. POTTER

Bank Fund's Milestone

The report for the quarter that ended June 30 published by Institutional Investors Mutual Fund marked a milestone, for in May the group completed 10 full years of operation. It has but 107 shareholders, 86 of which are New York State savings banks. The remainder consists of bank insurance departments and a pair of bank pension funds.

Its board of directors, of course, is limited to bankers around the state, with nine of the 15 members representing New York City area banks. President is Cornelius C. Van Patten, who also is President of Binghamton Savings Bank, which is situated in the central part of the state. All in all, the fund's composition bespeaks tidy balance.

This equilibrium is carried over into Institutional Investors' market operations. On June 30, the current report notes, total asset valuation of the fund attained a new high for any quarterly reporting period. Net assets totaled $94.3 million, up from $87.6 million on March 31 and higher by over 50% compared with the $61.4 million of assets reported on June 30, 1962. Principal factors in the latest quarterly assets rise were $2.3 million in unrealized market appreciation and $4.3 million of net new sales of the shares.

Net asset value per share on June 30 was $248.98. This compares with $242.15 on March 31. Both of these figures are a long way from the $208.58 per share at the middle of 1962, when the stock market was on the skids.

For the main body of mutual funds (members of the Investment Company Institute) the rebound in total net assets carried them to $23.7 billion at June 30 from $18.4 billion at the middle of 1962.

Any investment group can report betterment from the dreary days of mid-1962, of course. But the record of Institutional Investors over the decade is one of solid accomplishment with a portfolio that stresses blue chips and high-grade equities.

Unrealized appreciation on investments as of June 30 totaled $26.7 million, or 40% above investment costs. This compares with 39% on March 31 and 28% at the middle of 1962. During the latest quarter realized capital gains were $144,626 and for the 12-month period $2.8 million. The fund was over 96% invested in common stocks at latest report, against 95% three months earlier.

Well over 18% of assets are in utilities and the total approaches 21% if American Telephone & Telegraph (2¼%) is lumped in. The bankers put Telephone in the category of communications—the only issue in the grouping.

Add in the 12.4% of total assets invested in the petroleum giants and you have accounted for something like $1 of each $3 at the disposal of Institutional Investors. More than $1 of the remaining $2 is in such solid categories as chemicals, electrical equipments, foods, insurance, medicine & health and natural gas. The balance includes office - equippers (International Business Machines, Pitney-Bowes and Xerox), mercantiles (Federated, Sears and Penney) and such top-drawer equities as Eastman Kodak, Coca-Cola and General Motors, its only automotive holding. Finally, there is the transportation department: General American Transportation, Hertz, Southern Railway, Union Pacific and U. S. Freight. Its flight into space is modest, with Lockheed, Grumman and Cessna representing less than 2½% of total net assets. Cessna and Grumman, incidentally, are new acquisitions.

During the latest quarter the fund got out of four stocks entirely, all of them in different fields. They are Gulf Oil, Santa Fe, Interchemical and National Cash Register.

The Funds Report

Abacus Fund reports that at June 30 net assets totaled $38,976,973, or $45.55 a share, against $35,210,426 of assets and $41.15 a share at Dec 31, 1962, and $32,266,500 of assets and $37.71 a share on June 30, 1962.

* * *

Earnings of **Anchor Corp.** rose to $544,481, or 53 cents on each share of the Class B stock, in the first half of the fiscal year to May 31. In the last half of fiscal 1962 earnings were $461,181, or 44 cents a share. For the first half of last year net earnings were $631,341, or 62 cents a share.

* * *

Total net assets of **Carriers & General Corp.** at June 30 were $19,307,081. Net asset value of common stock was $34.42, compared with $28.72 a share on June 30, 1962, and $31.75 on Dec. 31, 1962.

* * *

Century Shares Trust reports that net assets on June 30 totaled $116,823,535, or $14.41 a share. This compares with $77,453,847, or $10.51 per share a year earlier and $100,438,826, or $13.13 a share at the close of 1962.

* * *

Dominick Fund announces that at June 30 net assets totaled $41,005,917, equivalent to $22.26 a share. At March 31 net assets were $38,997,963, equal to $21.17 a share. At the end of 1962 assets were $36,386,302, or $20.23 a share.

* * *

Net asset value of shares of **Investors Inter - Continental Fund** rose to $6.34 (U. S. dollars) on May 31, compared with $5.61 on Dec. 31, 1962, end of the fiscal year. The figure on June 30, 1962, was $5.11. Total net assets increased to $73,489,465 (Canadian) at the end of May, 1963, from $71,191,099 on Dec. 31, 1962, and $70,088,587 on June 30, 1962.

* * *

Japan Fund reports it has been advised by the U. S. Treasury Department in substance that the Treasury would recommend the fund be exempt from the provisions of proposed interest equalization tax legislation bearing on the fund's investment of the proceeds of its rights offering which began July 10 and expired July 24, and on the fund's investment of the proceeds of sales of securities in its portfolio.

* * *

Net assets of **Madison Fund** rose to $153,351,390, or $18.60 per share, at June 30. This compares with $141,350,812, or $18.06 a share, at the close of 1962.

* * *

National Investors Corp. reports that at June 30 net assets were $341,692,717, a gain of about $40 million from the start of the year. Asset value per share at June 30 was $15.17, against $14.62 three months earlier and $13.86 at the start of the year.

* * *

Selected American Shares reports asset value per share at June 30 was $9.68 against $8.79 at the end of 1962 and $7.75 at mid-1962. Total net assets increased during the half-year to $122,156,373 from $110,037,310 at Dec. 31 and $94,898,973 at June 30, 1962.

* * *

Whitehall Fund reports that net assets at June 30 were $15,445,795, an increase of more than 30% from a year earlier. Net asset value per share rose to $13.57 from $13.18 at March 31 and $12.79 at the end of 1962.

Business Activity in Connecticut to Remain On Promising Level

The generally good status of Connecticut business at the beginning of the second half of 1963 has only scattered hints of a leveling off in future months, according to *Connecticut Business Trends*, released July 31 by The Connecticut Bank and Trust Co.

The CBT Business Activity Index in June stood at 124.6% of the 1957-59 average, barely above the 124.3 recorded at the end of the first quarter of 1963.

Department store sales — which fluctuated in the first quarter of 1963 — ran ahead of 1962 in May and June. New car sales in the first half of 1963 rose 7.2% above the same 1962 period — indicated by the 32,000 new passenger car registrations from April through June, second highest three months total ever recorded in the state. Construction contract awards in May showed continued strength in public works but weakness in non-residential building.

According to the Connecticut bank publication, total employment increased 24,200 from January to June and has averaged 1.4% higher than the same period in 1962. Unemployment declined in May, 1963, compared with May, 1962, but increased seasonally in June. The state's unadjusted unemployment ratio of 5.1% in June compared with 5.2% a year ago and the U. S. ratio of 6.4%.

The impact of strong business activity during the first half of 1963 is evident in the year-to-date improvement in banking and finance—especially the loan activity of commercial banks, the bulletin noted. Individual and life insurance sales rose in May and June over corresponding months in 1962—exceeding the U. S. performance.

The feature article in this issue of *Connecticut Business Trends* deals with the staggering technological and economic changes that have affected the New Haven railroad. It summarizes the problems and successes of the two year trusteeship and shows why hope of the railroad's survival appears to lie in increased freight, piggyback operations and possible merger. The article concludes with steps taken by the Connecticut business community and the State Legislature to assist the New Haven.

The Market . . . And You

BY WALLACE STREETE

Just when the stock market showed signs of sinking deeper into a slough of neglect, and the Street was writing off any chance for spirited advances in the summer rally tradition, the list came to life this week.

There were some comforting earnings statements to be perused, not the least being the record half-year profit reported by giant General Motors which last year recaptured the laurel of being the nation's biggest money maker.

Billion-Dollar Earned

Back in 1955 G.M. reported a better than billion dollar profit, the first corporation in the nation's history to roll up earnings of that size. The auto makers ran into a lull after that and by 1959 the other colossus, American Telephone, ran its profits to the billion level for the first time.

A.T.&T. kept reporting billion dollar profits for the next three years but last year's $1.3 billion trailed G.M.'s $1.4 billion.

Some stirring in the airlines was generated when the CAB cancelled Northeast Air's Florida route, leaving that lucrative trade to Eastern and National. Both of the surviving Florida lines hailed the lessened competition, National making the new highs list in a rush. And the strength here stimulated buying in the other airlines.

Merger Situation

Another special situation was American Viscose which had planned to sell out to FMC Corp. But the plan ran into anti-trust objections. What sparked at least momentary, if not premature, strength was technical objections to the anti-trust court moves. Both Viscose and FMC performed well for a bit although the anti-trust opposition is by no means over as a result of the preliminary ruling.

Another merger situation drew varying responses. Abbott Laboratories was the skyrocket when it announced plans to merge with G. D. Searle. The latter promptly sagged badly but was able to steady subsequently.

Electronics issues, which had had some trying times through July, were able to participate when the general strength showed up but their moves were far short of being excessive, particularly against the record of Electronic Associates which had been showing independent popularity through the summer doldrums. This issue from this year's low has more than doubled and reached a level more than four times higher than last year's low.

Office Equipment Bid Up

Office equipment issues were bid up sharply when there was demand around. Xerox, in particular, has become a regular fixture on the new highs list. It has carved out a range of better than 100 points from this year's low to the high, which is an achievement that few issues can match. International Business Machines was also given to wide moves when demand showed up but, unlike Xerox, is making no serious bid for any all-time peak at the moment.

Steel Uncertainties

Steel companies were busily reporting a fat rebound in their fortunes in the second quarter of this year. But first-quarter reports were not good, and the second quarter was one when consumers were busy stocking up in case a strike came along in mid-year. Meanwhile current steel production continues to drift downward.

With the uncertainties inherent in the steel situation, the specific issues understandably did little marketwise to indicate that there was any improvement in investment attitudes toward them.

Stirring Oils

Oils showed stirring on occasion and a few showed at new highs. But there was no rush by investors or the professionals to load up on them. They already constitute a sizable commitment in most institutional accounts that are open to scrutiny, so heavy fund buying could hardly be expected. Royal Dutch, despite many favorable comments and analyses, has held this year in a range of only a fraction more than six points, which adds up only to mundane market behavior.

Dover Corp., which makes oil well equipment and is an important elevator producer, has been a slow-moving market item for some time, but was in the limelight to a degree by breaking out of a narrow range to appear on the new highs lists.

Holding back any great interest in Dover was the disappointing showing it made in 1960 when earnings skidded from $2.66 a share in 1959 to $1.51. Since then, however, the company has been making steady progress with earnings back to $2.40 last year and good gains have been scored this year, to hint that the company could for the full year top the record showing of $3.04 a share posed in 1956.

Selling at less than 10-times earnings and aiming at a good earnings achievement, the stock is a candidate for dividend improvement with the open question being whether the cash payment will still be supplemented by small stock payments as has been the case in recent years. Until the better market action showed up, the shares had held in less than an eight-point range for the year.

Chrysler Pro and Con

In the autos, Chrysler continued to be the center of much discussion, both pro and con. In general, the expectation is for earnings of around $7 a share this year which means that even at their high the shares weren't selling at as much as 10-times earnings. The stock is not prominent for yield even though the 25-cent token quarterly payment on the old shares prior to a split was effectively doubled when it was retained as the rate for the new stock. Apparently, though, failure of the company to increase the payment was greeted with some chagrin.

Divergent Factors in Baking Issue

A well-known name with a yield of better than 4% at recent prices is Continental Baking which lately has been nudging higher to widen the 10-point range in which it had held this year. On the basis of this year's earnings estimate, its price has been only slightly more than 13-times earnings, a conservative ratio when matched against the general run.

Holding back Continental Baking is the fact that while sales have increased steadily in recent years, earnings had been declining until last year. Whether this was a significant turn isn't yet entirely clear although operations this year seem to continue on an upgrade.

The offsetting item in the business of Continental Baking is that the increases in the price of sugar can be offset by lower prices for flour. And for flour, lower prices again next year seem to be definitely indicated.

Continental, the nation's largest bread baker, has been diversifying but still sticking to food items. Nevertheless, bread accounts for nearly two-thirds of sales, according to the available estimates. However, its once-troublesome frozen foods division—under the Morton trade name — has been starting to contribute importantly to overall results after having turned from red to black ink in 1959. If the seeming improvement is basic, Continental could come in for far better investor regard.

[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.]

Joins Underwood Neuhaus Firm

HOUSTON, Texas — Juan M. O. Monasterio, Jr. has joined the staff of registered representatives at Underwood, Neuhaus & Company, Inc., Joseph R. Neuhaus, Vice - President, has announced.

Juan Monasterio, Jr.

In his new post with the Houston investment banking concern he will specialize in the purchase and sale of corporate securities and municipal bonds.

Prior to his association with Underwood, Neuhaus, Mr. Monasterio was Puerto Rico District Manager of a leading U. S. insurance firm. He holds a degree in finance from the Univ. of Texas.

Underwood, Neuhaus, Texas' oldest investment banking firm, occupies offices in the Houston Club Building. The company handles U. S. government, municipal and corporate securities, and is a member of both the New York Stock Exchange and the American Stock Exchange.

To Be Partner In Shields Co.

John J. Durand will become a partner in Shields & Company, 44 Wall Street, New York City, members of the New York Stock Exchange, effective Aug. 8.

PUBLIC UTILITY SECURITIES

BY OWEN ELY

Potomac Electric Power Company

Potomac Electric Power, serving the Nation's capital and adjacent areas, has annual revenues of $102 million. Population served includes 765,000 in the District of Columbia, 724,000 in Maryland and 21% in Virginia. District of Columbia sales account for about 55% of revenues, Maryland 43% and Virginia 2%. About 20% of revenues are derived from sales of electricity to Federal agencies (including the District). There is little industry in the area and the company reports that revenues are 32% residential, 46% "low voltage" commercial, 17% "high voltage" commercial and 5% miscellaneous. Obviously the company's business should be more stable than that of the electric industry in general, since there is so little business of cyclical character.

The company has enjoyed rapid growth, with revenues in Maryland showing an annual growth rate of 13% during the past decade, while growth in the District had been only 5%; it seems likely that over half of revenues will soon be derived from Maryland. The overall growth rate has approximated 8% although capitalization has increased nearly 11% per annum.

During the past decade generating efficiency has increased materially: the number of btu per kwh is now about 9,700 compared with 12,000 in 1952, and fuel cost per million btu is 30 cents vs. 35 cents. The operating ratio has declined from 53% to 41%, and the percent of revenues available for common stock earnings increased from 12% to 18%. The company recently began receiving coal in trainload shipments at its Dickerson station, resulting in a saving in cost of fuel at this station of 8%.

In 1953 generating capability was 743,000 kw and it is now 1,640,000 kw, an increase of 120%. The new Chalk Point system will add 355,000 kw a year from now and another 355,000 kw about a year later, bringing total capability to 2,353,000 kw. The system peak load for this year is estimated at 1,410,000 indicating excess capacity of 16%. Future plans include construction of a sixth generating plant at Morgantown, Maryland. In addition, the company will have substantial power available from interconnections with Potomac Edison (Allegheny Power System) to be completed this year, and it is also negotiating with Virginia Electric & Power for a tie-line with that company.

With the large construction program expenditures will be unusually heavy over the net two or three years, being estimated at $51 million in the last half of this year, $72 million in 1964 and $46 million in 1965. Of the total $169 million, some $59 million will be generated internally—and cash on hand will take care of $15 million, leaving $95 million to be financed. The company is arranging a $25 million bank loan and will do some permanent financing in 1964. The capital set-up as of June 30, 1963, was funded debt 56%, preferred stock 6% and common stock equity 38%.

In the past three year, Potomac Electric has been earning 6.4% on year-end net property compared with lower rates in earlier years of the decade. The increase reflected a rate increase of $4.8 million allowed the company in 1959. A portion of the present rate of return is accounted for by the use of flow through for tax savings resulting from the use of accelerated depreciation as well as the 3% investment tax credit. Earnings for the year 1962 may also have benefited from the use of the new "guidelines."

R. Roy Dunn, President of the company, in a recent talk before the New York Society of Security Analysts, was optimistic about the company's future growth prospects. Building activity in the Washington area reached record levels in 1962, with completed construction including 283 apartment houses, 20 private office buildings, 12 major Federal and local Government installations, 10 large motels and 11 new scientific research and development establishments. Twelve large Federal projects are now under construction and a program for redevelopment of downtown Washington is progressing rapidly. The company should continue to benefit from the above-average growth in the area and because of the negligible amount of industrial business it should be relatively immune to recessions.

Earnings per share have increased (partly as the result of flow-through accounting) from 58 cents in 1953 to $1.04 in 1962. In the 12 months ended June 30, 1963, earnings were $1.06 and calendar year 1963 should show at least this much. The stock was split 2-for-1 in April this year. During the past decade there have been four rights offerings, a convertible debenture offering and a 2% stock dividend. The present dividend rate is 80 cents and dividends have been paid continuously for 60 years. In the past decade the dividend rate has been increased five times.

At the recent price around 21 (range this year has approximated 24-20) the stock yields 3.8% and sells at about 20 times earnings.

Hatch To Be V.-P. Of Carreau, Smith

Effective Aug. 15, Raymond A. Hatch will become a Vice-President of Carreau, Smith, McDowell, Dimond, Inc., 115 Broadway, New York City, members of the New York Stock Exchange.

Reynolds & Co. To Admit

Effective Aug. 8, Edward R. Beach will be admitted to partnership in Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange.

NEWS ABOUT BANKS AND BANKERS

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

Julian D. Weiss, has been elected to the advisory board of the new **Guardian Bank, Hollywood, Calif.** Guardian, an independent, full-service bank, is scheduled to open in early September at 7014 Sunset Boulevard, just east of La Brea.

Julian D. Weiss

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The appointment of Bo H. Jansen as a public relations officer of the **Chase Manhattan Bank, New York** was announced.

Mr. Jansen, who heads the editorial services section of the public relations division, joined the Bank in 1962.

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Robin A. Danton and W. John Leete have been elected Vice-Presidents and William M. Lees, a Trust Officer, of **The Bank of New York**, it was announced over the weekend by Samuel H. Woolley, President and Chief Executive Officer.

At the same time, Mr. Woolley announced the following appointments: John F. MacDonald, Assistant Treasurer; Anthony V. Barber, Jr., Assistant Secretary; Matthew E. Gately, III, Harvey P. Peterman and Albert L. Rapp, Assistant Trust Officers.

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The Federal Reserve Board approved the proposed acquisition of the **First National Bank of Farmingdale, L. I.**, by the **Bankers Trust Company, New York.**

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The appointment of Robert E. Lee and James E. Stubenrauch as Vice-Presidents has been announced by the **Irving Trust Company, New York.** Mr. Lee, is with the Bank's international division. Mr. Stubenrouch, is with the Bank's Wall Street division.

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The Commercial Bank of North America, New York has elected Charles V. Scheuermann, Vice-President and Trust Officer. He will continue to be located at the 115 Broadway office.

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Named to the Board of the recently-organized **Northwest International Bank, New York** are Albert G. Egermayer, Terrance Hanold, Tom McDonald, and William F. Mitchell.

With an initial capital and paid in surplus of $2,500,000, Northwest International Bank is expected to open its New York headquarters in the near future.

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The **Nassau Trust Co., Glen Cove, New York** elected John MacGeorge Executive Vice-President.

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Abe Denholtz was elected to the Board of Directors of **Security National Bank, Huntington, N. Y.** according to an announcement made by Herman H. Maass, President.

The Comptroller of the Currency, James J. Saxon July 25 announced preliminary approval of the application of a group to organize a new National Bank in Norwalk, Conn.

The proposed title is **Norwalk National Bank.** Initial capitalization is $500,000.

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The **Girard Trust Corn Exchange Bank, Philadelphia, Pa.** announced that Lewis G. Cordner is promoted to Vice-President in the National Division and in the Pension and Profit Sharing Section of the Trust Investment Division Charles B. Barlow is advanced to Senior Investment Officer.

Promoted to Assistant Vice-Presidents are Charles S. Freed, Jr., Manager of the Bank's 22nd Street Office; Harold V. MacNew, Consumer Loan Division; and John M. McKinney, National Division.

In the Trust Investment Division Charles E. Coqueron, Alfred F. Hoffman, and J. Warren Maxson were promoted to Investment Officers.

New officer appointments are: Robert B. Camp, Robert A. Gravdahl, Roy P. Kramer, Helen C. Levi, Norman J. Savage, and George C. Simister, Assistant Treasurers; Arthur H. Hunton, Jr., Assistant Trust Officer; and Assistant Investment Officers Jane C. Bester, John W. Church, Jr., Albert G. Langer, and W. Kyrel Meschter.

Brown also announced title changes for three officers. Title of Thomas E. Burns, Jr., is changed from Estate Planning Officer to Assistant Vice-President and Estate Planning Officer. Former Assistant Secretaries H. Tatnall Brown, Jr., and Michael D. Pintavalle are now Assistant Treasurers.

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The merger of the **Second National Bank of Hagerstown, Md.** with **Maryland National Bank Baltimore, Md.**, has been approved by the Comptroller of the Currency, to become effective at the close of business Aug. 2.

Mr. Thomas will become Chairman of the advisory Board of Directors of Second National's offices. Claude M. Potterfield, President of Second National, will become a Vice-President of Maryland National. Other members of the Board of Directors of Second National will become members of the advisory board of Second National offices, and all personnel of Second National will continue with Maryland National.

Stockholders of Second National will receive six shares of Maryland National stock for each five shares of Second National. June 30 statements of condition of the two banks indicate that total resources of the merged bank will be in excess of $650,000,000 with capital funds over $50,000,000.

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The Comptroller of the Currency, James J. Saxon on July 17 approved the application to merge **The Huntington National Bank of Columbus, Columbus, Ohio** and **The Northern Savings Bank, Columbus, Ohio,** effective on or after July 17.

Joseph Beckman, has joined the public relations division of **Continental Illinois National Bank and Trust Company, Chicago, Ill.** as press relations manager.

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Henry L. Parker, Vice-President, **Harris Trust and Savings Bank, Chicago, Ill.** recently celebrated his 35th Anniversary with the Bank. He has spent most of his career in the trust department, where he is presently in charge of the employee trust division.

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John L. Cooley became Vice-President of **Merchandise National Bank of Chicago, Illinois** Aug. 1.

Mr. Cooley, formerly was Vice-President of the **United of America Bank** and Assistant Vice-President of **Lake Shore National Bank.**

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The **Michigan Bank, N. A. Detroit, Mich.** has elected Lyle K. Robinson and F. Dale Lenington as Vice-Presidents.

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Comptroller of the Currency, James J. Saxon July 22 announced preliminary approval of the applications of groups to organize a new National Bank in Arkansas.

At Texarkana, with the title, **Commercial National Bank of Texarkana**, with an initial capitalization of $625,000.

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The Comptroller of the Currency James J. Saxon announced July 22 that he has given preliminary approval to organize a National Bank in Mountain Grove, Mo.

Initial capitalization of the new Missouri Bank will amount to $300,000, and it will be operated under the title **First National Bank of Mountain Grove.**

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The Comptroller of the Currency James J. Saxon on July 18 approved the application to merge **The Marlboro Trust Company, Bennettsville, S. C.,** into **The First National Bank of South Carolina of Columbia, Columbia, S. C.,** under the Charter and title of the latter, effective on or after July 19.

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The Comptroller of the Currency James J. Saxon on July 25 announced preliminary approval of the application to organize a National Bank in Dallas, Texas.

With the title, **Citizens National Bank of Dallas,** with an initial capitalization of $1,000,000.

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The Comptroller of the Currency James J. Saxon on July 25 announced preliminary approval of the application to organize a National Bank in Dallas, Texas.

With the title, **Northpark National Bank of Dallas,** with an initial capitalization of $1,000,000.

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The Comptroller of the Currency James J. Saxon on July 25 announced preliminary approval of the application to organize a new National Bank in Richardson, Texas.

The title is **First National Bank of Richardson.** Initial capitalization is $550,000.

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Earl Theodore McGee has been named Assistant Vice-President of the **Continental Bank, Houston Texas.**

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The **Union Bank, Los Angeles, California** made Harry L. Fein, Alfred T. Hartwell, Jr., Robert H. Mead and Y. M. Posthuma, Vice-Presidents.

BANK AND INSURANCE STOCKS

This Week — Bank Stocks

PROPOSED TEXAS BANK

The directors of the National Bank of Commerce and the Texas National Bank have approved the merger of the two institutions subject to approval of the stockholders and regulatory agencies' approval.

The new banking institution will be known as the Texas National Bank of Commerce and will have 2,400,000 shares outstanding. The National Bank shareholders will receive a 17.8% stock dividend—bringing the number of shares of this institution to 1.5 million and then exchange their shares for the new stock on a 1-for-1 basis. The shareholders of the Texas National will trade their 900,000 shares for the new issue on the same ratio. The National Bank of Commerce shareholders will own 62.5% of the new bank and the Texas National shareholders will own 37.5% of the institution.

The stockholders are expected to approve the merger and it is not anticipated that the Federal Reserve Board will disallow this union. The only possible interference could come from the Treasury Department. The resulting institution will be the second biggest in Houston with deposits of approximately $740 million. The First City National will be the largest in the city with deposits of $816 million. The third largest will be the Bank of the Southwest with deposits slightly in excess of $500 million. Since the proposed bank will not be the largest in Houston and will not have more than 30% of deposits in the city, the merger should be allowed. Obviously, both stocks are selling at ample multiples of earnings and the yields are low. The payout of earnings is unusually low and appears that long-term dividend performance should be very favorable. To date, the earnings records of both bank have been good, with net operating earnings increases of approximately 20% and 8% annually over the past five years. Although the Texas National does not report interim earnings, they are expected to be higher for the year 1963. The first six months showed earnings of $1.70 as compared to $1.58 for the same period in 1962 for the National Bank of Commerce.

The two banks under discussion are well regarded for their managements. Their banking emphasis varies with one regarded as a retail institution and the other a wholesale one. Another very attractive feature of the proposed bank is the location. Houston is the largest city in Texas but does not now have the largest commercial banks. Although oil dominated the area for many years, manufacturing is also of importance. The city is also a significant seaport—ranking second to New York City in terms of tonnage handled. The record of the city during the depression was better than most cities. The expectation is for continued stability and growth, due in part to the NASA center which will bring many thousands to the area. This new development should reflect itself in a continuation of growth in bank deposits.

Houston, Texas
Trend of Bank Debits

		—% Increase—	
		Houston	337 Cities*
1957	$28,058,919,000	4.4%	6.1%
1958	27,750,385,000	1.1	1.7
1959	30,206,880,000	8.9	11.7
1960	30,319,925,000	2.3	4.3
1961	32,964,516,000	6.6	4.4
1962 (6 months)	18,361,800,000	15.1	11.1
1961 (6 months)	15,956,496,000	---	---

*Excluding New York City.

	National Bank of Commerce	Texas Nat'l Bank
Price	$97.00	$80.00
Dividend	1.50	1.50
Yield	1.55%	1.88%
1963 Earnings (estimated)	$3.85	$3.85
Price/Earnings Ratio	25.8x	20.7x
Capital Accounts as per cent of Deposits	6.80%	10.00%
Per Share Earnings—		
1958	$2.83	$3.45
1959	2.91	3.59
1960	3.21	3.72
1961	3.50	3.61
1962	3.75	3.79

SECURITY SALESMAN'S CORNER

BY JOHN DUTTON

To Help You Further Your Career

If you are a trainee or someone with a limited knowledge of the securities business; or if you have specialized in one field and wish to broaden your knowledge, valuable information is available to you. The Education Department of the Investment Bankers Association of America, 425 Thirteenth St., N. W., Washington, D. C., can be very helpful to you.

If you would like to study on your own, write for their bibliography published June, 1963, entitled, "Selected Textbooks On Investment Banking and Related Subjects." There are recommended books on Investment Banking, Business Fluctuations and Forecasting, Corporate Finance, Economics, Estate Planning, Financial Institutions, Financial Statement Analysis, Government Finance, Institutional Investment Practices, Management and Analysis of Investments, Investment Companies, Management of the Investment Banking Industry, Money and Banking, The Money Market, Municipal Finance, Personal Money Management, Securities Markets, Securities Merchandising, Securities Regulation, and Small Business Finance. There is an added list of reference books, also leading financial periodicals and newspapers. This is not a list of advanced textbooks for those who may desire specialized material, but for those who require information on fundamentals.

IBA Training Programs

A correspondence course that is open to the public, as well as employees of IBA member firms, is offered in connection with the Home-Study Department of The University of Chicago. This course is particularly well suited for trainees who are not near a university having a complete program of education in finance. The course is composed of thirty lessons in the Fundamentals of Investment Banking.

The following courses are only available to employees of IBA member firms: A fourteen week program at Northwestern which covers the Fundamentals of Investment Banking. This is supplemented by a four week summer course on the same subject which is primarily for employees of member firms living outside the Chicago area. An additional week which covers Stock Exchange operations was added in 1961. A New York Stock Exchange course, consisting of 16 two hour sessions for a period of six weeks, is also offered at Northwestern.

Executive Development Programs

In 1951 the Education Committee of the IBA initiated seminars in cooperation with the Wharton School of the University of Pennsylvania which have been conducted every year since then. The classes are held at the Wharton School for one week. It is an intensive course that is completed in three years. It is offered to partners, officers and seasoned personnel of IBA member firms. The faculty is obtained from member firms and provides the opportunity for study and contact with qualified experts in various phases of the investment banking business.

The New York group of the Education Committee of the IBA also offers an advanced course for investment banking executives. Emphasis is placed on management operations, cost reduction, and methods of assuring compliance with government and industry regulations. The Chairman of the New York Group Education Committee should be consulted for information. The course is open to members from all parts of the country. It is planned to offer it again this fall; it lasts for one week and the James O. Rice Associates, Inc., who are specialists in management education, prepare and direct this course.

The California group of the Education Committee of the IBA also offers advanced courses in Investment Banking, in connection with the Graduate School of Business Administration, University of California. The course is limited to 45 persons who are qualified as Registered Representatives and senior employees of member firms. It is available in both Los Angeles and San Francisco.

The California Group Education Committee co-sponsors the Los Angeles Institute of Finance, together with the New York Stock Exchange and the Pacific Coast Stock Exchange. A program of basic training in Securities Market Practices and Investment Analysis is offered for individuals entering the securities business. This course is also available in San Francisco.

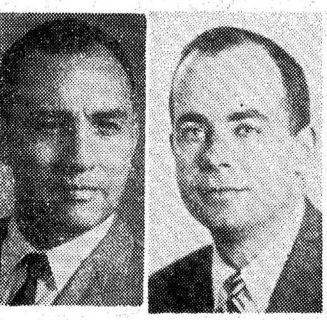
Tax Exempt Securities

If you are interested in increasing your knowledge and understanding of tax exempt securities the following books and pamphlets are available: Fundamentals of Municipal Bonds; State Pension Funds; Recommendations for Computation of Interest and Principal on Municipal Bond Transactions; Marketing Municipal Bonds at Public Sale; Municipal Industrial Financing; Federal Aid to Education?; A Primer on State Securities Regulations; Modified State Securities Act; Why Professional People Invest In Municipal Bonds; Municipal Bond Advertising Kit; Municipal Bond Newspaper Series. Request order form for literature published by the Municipal Securities Committee and the State Legislation Committee, from the Municipal Department, IBA if you are interested in the foregoing material.

Complete information regarding all study courses that are available can be obtained by writing the Education Department of the IBA and requesting a copy of their bulletin, "Available IBA Tools," published in March, 1963. This valuable booklet provides information regarding courses available to members (and nonmembers), training literature, films, public relations material, and research department publications as well as literature released by the legislative committee. An order form for procuring this material should also be requested — please ask for "Order Form — Available IBA Tools."

Correction

In the *Financial Chronicle* of July 25, the names were inadvertently reversed under the photographs of Mr. Joseph J. Duome of Albert



Joseph J. Duome William Lang Carroll

Frank-Guenther Law, Inc., New York City, and Mr. William Lang Carroll of Fahnestock & Co., Chicago. The correctly captioned pictures are given above.

Buck International Names Branch Mgr.

Richard J. Buck & Co., International, S. A., affiliate of Richard J. Buck & Co., members of the New York Stock Exchange, has announced the appointment of Everett Richard as manager of their St. Croix (Virgin Islands) branch.

Mr. Richard was formerly Vice-President and Financial Secretary of The Home Life Insurance Company of America and manager of the Securities Department. He also was associated with the New York Stock Exchange member firm of Hecker & Co. in Philadelphia.

Our Reporter on GOVERNMENTS

BY JOHN T. CHIPPENDALE, JR.

The money market continues to hold the spotlight because the level of money rates is now being dictated by international monetary conditions and not by the national or domestic situation. In order to give more help to our international balance of payments problem the discount rate went to 3½% and short-term rates have also gone up to levels that should make them competitive with similar rates in other free world money centers. In this way the readily transferable funds should continue to remain here because the income or rate of return should now be satisfactory to the owners of these monies.

This, however, is only a stop gap solution of the problem which has been plaguing us for a long time now and may still get worse before it gets better. The big question now is whether or not higher short-term rates and eventually a higher level of rates all along the line might have an adverse influence on the domestic situation.

Defending the Dollar

Evidently the defense of the dollar and our gold holdings is going to be much more realistic from here on in than has been the case so far. Higher short-term rates, taxes on foreign security flotations, more prudent spending abroad and use of the International Monetary Fund are the forces now being used.

It seems as though our unfavorable balance of payments had been rapidly approaching the point where more than just palliative measures and talk had to be used if this problem was going to be remedied in an orthodox manner. It was becoming more evident that we were not too far away from the time when we had to take the bull by the horns and do something really constructive in bringing about a solution to this very vexing problem.

Passing the buck, procrastinating and just talk will not do the job. Neither will such temporary measures as a higher Central Bank rate or higher short-term money rates since this is only a postponing type of action because it does not result in the elimination of the basic causes of the predicament which we find ourselves in at this time.

Monetary Policy Handicapped

The most disturbing part of the situation brought about by our unfavorable balance of payments problem is the way in which it is handicapping our monetary authorities since it limits very severely their scope of action. Because of the protection which must be given to the dollar and our gold holdings, our monetary policy, especially that in the short-term sector of the money market, is being framed from the international monetary angle, with the national aspect very much of secondary importance at this time.

This is a drawback to the powers that be in so far as our overall monetary program is concerned since there must be higher near-term rates now in order to ease the strain on our balance of payments irrespective as to whether or not higher short-term rates will be good or bad as far as the domestic (national viewpoint) economy is concerned.

Rise in Long Rates Inevitable

In addition, the monetary authorities have been and apparently still are following a policy which tends to prevent long-term interest rates from going up irrespective of what happens to short-term rates. For a time now this program has been in effect and has been working out as planned because the Central Banks have been supporting the long-term Government bond market from time to time so that prices of the obligations will not go down too much.

However, if short-term rates should have to continue to go up because of international monetary developments, this will in time have an adverse influence on long-term rates even in spite of Federal Reserve bank support of the most distant maturities. Funds will in time seek out the area that gives them the most favorable rate of return. Interest rates whether they are in the near-term segment or in the long-term sector are related to each other. They do not exist in a vacuum.

There appears to be a growing opinion among more money and capital market specialists each day that the best thing for the money and capital markets is that the newly adopted measures will work so that there is a settlement of our balance of payments problem in order that our monetary policies can be geared to a much greater extent to our domestic program which is after all very important to us. The level of interest rates and the availability of credit are very important forces in our economy which is effected by the change in both of these two forces.

Treasury Borrowing to Be Lower

The Treasury refunded the $5,180,000,000 of 3½% certificates and $1,461,000,000 of 2½% bonds both due on Aug. 15 with a 3¾% note due Nov. 15, 1964. The 15-month obligation is a short-term issue and this will tend to prevent near-term rates from going down. This should help our balance of payments problem.

Also, the Treasury announced that its borrowings the balance of the year will be about $7 billion, instead of the $11 billion to $13 billion previously indicated, $2 billion to be raised in early September and the remainder of $5 billion in the last quarter of the year.

Rising income tax payments, larger sales of savings bonds and lower than expected Government spending have allowed the Treasury to borrow less. This probably precludes a rise in the debt limit until Fall.

New Business Cycle Bodes Well for Stock Market Rise

Continued from page 1

dropped down to 40.2 again in January. What Industrial Production did through the latter half of last year is well known. From July of 1962 through January of this year it held in less than one percentage point range, one of the longest periods of relative stability on record. This certainly could have been a correction at the peak.

New orders in manufacturing industries, a sensitive and leading indicator, more or less topped out in February, 1962, declined for the next couple of months, recovered for one month and then dropped down to its low in June, 1962. Of even greater importance they were mostly running under manufacturing sales, hence the backlog was declining.

While I do not intend to provide a run-through of all the economic indicators, two more are worth mentioning. One is plant and construction expenditures, a normally lagging indicator, hit their peak in the third quarter last year when they were running at the annual rate of $38.35 billion and then eased off to an annual rate of $37.95 billion in the fourth quarter and eased slightly further to $36.95 billion in the first quarter of 1963. The second one is a major leading indicator — the stock market. Need I mention what happened during the first half of 1962, climaxing in May?

We've Had Our Mild Correction

In short, therefore, there is in my belief, a considerable body of evidence, when looked at in retrospect, which leaves me to feel that the recovery which began early in 1961 ended in the middle of 1962. But because the recovery had been modest, and because this was the termination of what Arthur Burns and Edward Bernstein have aptly called the underexpanded portion of the economic trend cycle, the correction was extremely mild, as it always is at such times. I have called it a correction at the peak.

The Unemployed Numbers Game

The second stereotype is the consistent publicity and alarm about our rate of unemployment, and the adverse affect on the economy. While any unemployment of size is detrimental to the economy, I should like to point out that our method of determining unemployed leaves much to be desired (it is a small sampling projection), the composition of the unemployed, from an economic point of view is far more important than the numbers (ours is heavily weighted with teenagers and part-timers) and that one might be pardoned if its constant publicity and urgency might not be as much political as it is real. Far more important is the fact that we now have over 70,000,000 people employed at peak wages, earning money and producing goods. Might it not be worthwhile to look at the large end of the stick as well as the small point?

So much for the stereotype! How about now? Well, whenever a correction in the business cycle occurs all wait with trepidation to see whether the downtrend is going to continue into a full-blown depression (and I can recall a number of our fraternity talking that way last summer, although they have now conveniently forgotton it) or when it is going to break out on the upside and begin a new cycle.

Upturn Began Last February

Quite obviously the present cycle began to develop in February of this year. Industrial production jumped to 120.2 from 119.2 and since then, as is typical of every beginning cycle, the gain has been of greater than average strength, reaching a new peak of 125.1 in June. This is a gain of 5% from Janary. This gain is all the more impressive when one considers that industrial production was making its start from close to a peak level. Gross National Product, start from close to a peak level. Gross National Product, a thoroughly insensitive measuring rod, showed even more impressive strength, rising on an annual basis of $8.3 billion in the first quarter and another $8 billion, on a preliminary basis, in the second quarter.

New plant and equipment expenditures in the second quarter are believed to have reversed the downtrend of the previous six months and are estimated to have risen to a new peak of $38.4 billion with a further expansion to $39.95 billion in the third quarter and an indicated $41.3 billion annual rate for the fourth quarter.

Other indicators of the upturn is the recovery in hours worked in manufacturing industries to 40.7 in June, the highest level since April of last year. Meanwhile new orders in manufacturing industries, which hit a low in December, 1962, have moved fairly steadily upward (there was a slight dip in May), and have run well ahead of manufacturing sales, which is a highly favorable sign. Manufacturing inventories have also begun to move ahead, although at a very modest pace, which is also a usual sign of the beginning of an upturn.

Optimistic About New Cycle

In all then it is my belief that a new cycle is underway. Furthermore, it appears to me that this cycle will probably be of longer duration and of greater strength than any of the recovery movements that we have had since the early postwar recoveries.

Why?—In most of the postwar recovery cycles, and especially during the past eight years, inventory accumulation and liquidation have been the major influencing factors. We have now two new major stimulants which have not only been lacking, but have actually been adverse for the past five to six years. These are rising family formations and expanding plant and equipment expenditures.

Family formations which were a major stimulant to the economy in the late 1940's and early 1950's although there was a sharp decline from the peak in 1950 to the low in 1954, have dropped off substantially since 1956. To give an idea of the extent of the decline, it is estimated that whereas approximately 909,000 new families were formed in 1956, this dropped to a low of 269,000 in 1959, recovered slightly in 1959, was back down to 373,000 in 1961 and while final figures are not yet available for 1962 it is believed that the figure dropped to close to 300,000.

Family Formations Headed Up Again

Contraction in this figure probably continued during the first half of this year, but by the end of the year, based on the birth rate for 1942 and 1943, and the fact that our young people are marrying earlier than they use to, family formations should again be heading upward, instead of down. The real benefits of this will not be witnessed until 1964 and 1965 or even later on an accelerating basis, but the main thing is that the trend is being reversed.

Now I am not so naive to believe that population means prosperity, for if this were true China and India would be the most prosperous nations on earth. Where, however, you have an affluent society, ignoring the snide implications of Dr. Gailbraith, and a high level of discretionary purchasing power, the uptrend of family formations should be a powerful plus factor to a rising economy.

Resumed Capital Spending

The second major factor is the resumption of the uptrend in plant and equipment expenditures. Excluding 1962, the last peak was registered in the third quarter of 1957. Inasmuch as new plants are normally built to take care of anticipated needs from three to five years ahead, not the next year's demand it was only logical that we had a number of years of excess capacity. That period has now passed, however, which coupled with the technological improvements and the aid derived from the 7% credit and new depreciation guidelines makes it evident that a new period of rising plant and equipment expenditures lies ahead. As business profits are highly satisfactory, stimulation from this source should run well into and probably through 1964.

These two pluses added to a finely balanced economy which is moving upward under the impetus of a continued high level of consumer purchases leads me to feel that this upturn will be stronger and of longer duration than those we have witnessed during the past decade.

Improved Stock Market Values

So much for business. How about the stock market? Recently the S. & P. 500 Stock Index (I quit using the Dow a long time ago when customers wanted to know how was it that the market went up 3 points and their stock only went up 1 point) stood at 68.19. Just to get a frame of reference this is about 6.5% below the all-time high of 72.6 of Dec. 12, 1961, up 30.1% from the June 26, 1962 low, and about 8.5% above the low of this year made on Jan. 2 and little less than 3% from this year's high which didn't quite reach that of December 1961. More important, however, stocks are selling at about 17.5 times earnings and yielding 3.3%. This compares with the P/E ratio of 20.13 times and the yield of 2.86% at the end of 1961 and doesn't compare too unfavorably with the P/E ratio of 15.65 times, and the yield of 3.97% at the June lows of last year.

With the economic outlook favorable, this level of the market does not appear out of line, although on a near term basis, it could go somewhat lower before it moves higher—I certainly can't predict daily fluctuations. While I am cognizant that a P/E ratio of 17.5 is not cheap by historical yardsticks, if you consider that the demand for equities over the past 15 years has increased tremendously due to wide public participation, a huge growth in pension funds, and a substantial expansion of mutual funds, while the supply has not increased particularly, you can see that a considerable increase in the P/E ratio has undoubtedly been built into the market. I could spell these increases out in numbers, but I have already employed considerable figures.

A More Professional Market

Naturally, all stocks and all groups will not benefit equally. As I feel that the market is becoming more and more professional, I would expect the selectivity to intensify. I would go so far as to say that it will probably be viciously selective.

Nor would I expect the past market leaders to be the leaders in the next uptrend. You can rarely buy last year's leaders for next year's market, although some may be the same. Basically we would concentrate on, or at least give emphasis to those areas which might benefit most from the new stimulants in the economy. In this area we would include:

Service industries, including life insurance companies, and savings and loan; text book publishers; teenage beneficiaries, including cosmetic companies; drug companies; non-durable consumer goods; machine tool companies; office equipment companies, and some durable consumer goods companies. Selection within these groups will also be all important.

*An address by Mr. Kahn before the Customers Brokers Association, New York City, July 23, 1963.

$197,000,000 Wanapum Power Project Issue on Market

Public offering of $197,000,000 Public Utility District No. 2 of Grant County, Wash., Wanapum Hydroelectric Refunding Revenue Bonds, Series of 1963, is being made by a nationwide underwriting group of approximately 465 members managed by John Nuveen & Co. (Inc.), B. J. Van Ingen & Co., Inc., Blyth & Co., Inc., Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Smith, Incorporated, and A. C. Allyn & Co.

The offering consists of $40,000,000 principal amount of 3⅜%, 3½%, 3.60%, 3⅝% and 3.70% Serial Bonds due annually April 1, 1971-1988; $51,000,000 (100% Sinking Fund) 3.80% Term Bonds due April 1, 1998; and $106,000,000 (100% Sinking Fund) 3.85% Term Bonds due April 1, 2009.

The Serial Bonds are priced to yield from 2.80% to 3.50%, depending upon maturity; the 3.80% Term Bonds are priced at 103½%, to yield about 3.62%; and the 3.85% Term Bonds are priced at 103½% to yield about 3.69%.

The bonds are being issued to finance the refunding of currently outstanding Grant County P.U.D. 4%, 4¼%, 4½% and 4⅞% bonds sold in 1959 in the aggregate of $195,000,000 to provide funds for the construction of the Wanapum Dam and its 831,250 kilowatt hydroelectric generating plant on the Columbia River in Washington. The refunding program will effect an estimated $46,000,000 reduction in the cost of electrical output from Wanapum over the next 45 years.

Proceeds from the offering will be initially deposited in a Bond Redemption Fund with the Bond Fund Trustee, Chemical Bank New York Trust Company, which will invest the proceeds of the $170,000,000 offering in U. S. Treasury Bonds supplied by C. J. Devine & Co., Salomon Brothers & Hutzler, Morgan Guaranty Trust Company of New York, Discount Corporation of New York, and Continental Illinois National Bank and Trust Company of Chicago. The Bond Redemption Fund will retire in 1970, outstanding Wanapum bonds of the 1959 issue maturing on and after July 1, 1970. The new issue will be secured by the Trust Fund until the 1959 bonds are retired. Thereafter, the new issue will be secured by the revenues of the Wanapum hydroelectric generating plant.

Wanapum has been under construction for about four years, and now is 98% completed. Initial generation is expected in September and full commercial operation by January, 1964. The major purchasers of the total output of power and energy (account for about 90% of the total) will be Pacific Power & Light Co., Portland General Electric Co., Puget Sound Power and Light Co., and The Washington Water Power Company, the four largest electric utility corporations in the Pacific Northwest. Wanapum is expected to be a low-cost producer of electricity.

Granville to Publish Market Letter

A new market opinion letter, "The Granville Market Letter" will shortly be published weekly on a subscription basis by Joseph E. Granville.

Mr. Granville has announced that he will be leaving the investment brokerage business to devote his time fully to the planned letter and also to a book he is completing. The book is to be published this Fall by Prentice-Hall, publishers of his first book, "A Strategy of Daily Stock Market Timing for Maximum Profit."

Investment recommendations and analysis in the new letter, he said, will continue to reflect his application of technical principles to market trends. He plans to visit the major financial markets in this country to help stimulate interest in both personal projects.

Since 1957, Mr. Granville has written the Morning Chart Opinion for E. F. Hutton & Co. Inc.

Passenger Cars Put a Glow On Turnpike Revenue Bonds

Continued from page 3

toll road. Over $2,500,000,000 in proposed toll projects, on which the underwriting houses had been hard at work for a couple of years, never materialized. For instance, it was hard to combat the stories about trucks "striking" against using the turnpikes until the toll rates were reduced (which many eventually were). There is no doubt that a certain amount of boycotting existed. Then too, there was some political interference in spots regarding toll charges and for a while it appeared as though the subject might become a political football.

Then there was the Suez Canal crisis. The American public could still remember gasoline and tire rationing in the latest war and many believed that the United States would have to be the supplier of oil, etc., for the Old World, which would mean gasoline rationing here. Some went even further. They thought the Suez situation might be the spark for World War III—with complete rationing! As all these affected the market prices, excellent opportunities became available for tax-swapping, using the loss on the revenue bond holdings to offset profits in stocks, which further depressed the market.

The passage of the Federal Highway Act creating the Interstate System of 40,000 miles of what would be really "toll-free turnpikes," threw many investors into a state of new panic. People said "the turnpikes were finished," "the new free Federal highways would force the turnpikes into bankruptcy" etc.

The Real Culprit

But, again with the value of hindsight, the greatest bearish influence was undoubtedly the change in the money market. Money rates began to stiffen early in 1955 with a discount rate change. By July the brokers loan rate moved from 3¼ to 3½% and by March 1956 it was at 4%. In August it was 4½% and by mid-July 1957 it was still higher, only to have a sharp turn-around in November with a progression to easier money. But the increasing interest rates also brought about a decline in **all** the bond markets and it can be shown that on the whole the increase in yield on turnpike issues was less than the increase on many Aaa, Aa and A rated general obligation bonds. Except for two projects, no revenue issue showed more than a 1.15 increase in yield whereof many full faith and credit bonds showed a great increase. A case in point is Commonwealth of Massachusetts 2.30s which were off from par to a 3.40 yield while Massachusetts Turnpike 3.30s were down from 3.22 to 4.26 or 1.04 in yield.

Where does that leave us today? Brokers loans are still at the 4½% level but toll revenue bonds are selling at close to their all time highs. Are all the projects now earning what the engineers had estimated? Oddly enough, "no" for only four are above estimates: —the Turner Turnpike at 152% of estimates, Garden State Parkway 122%, Connecticut Expressway 117% and New York Thruway 105%. For other revenue projects which help funnel traffic to toll projects we have the Jacksonville Expressway at 116%. Virginia Tunnel at 111%, Maryland Tunnel at 103% and Massachusetts Port Authority at 102%. Since 1956 investors have learned a lot about revenue issues payable from tolls and one of the chief lessons was that a 100% collection according to engineering estimates is not completely needed.

In fact, the reader can study the accompanying tabulation (Table I) of revenue projects and the percentage of their original debt that has been retired. No relationship between the percentage of estimated revenue collected and debt paid off exists.

A 100% Passenger Car Road (almost!)

One of the bugaboos of the 1956 period, the truck boycott of the turnpike has been dismissed rather lightly in this study. It should not be for it projects itself right back into the halcyon days of turnpike financing when there was a great deal of soul searching to find a practical yardstick by which one could measure the potential of some new toll road project about to be brought to market. Regardless of how many searchers there were for the "magic formula" there seemed to be one point of general agreement, namely, that no toll road could succeed unless a sizable proportion of their revenues came from trucks and buses.

Because of this practically unanimous opinion (in substance anyway) the performance of the Garden State Parkway in New Jersey is quite remarkable. Here is a road (in fact the only road of any considerable length) which gets practically all its toll revenue from passenger vehicles. Trucks are allowed to use the southern end of the road and buses may operate for its entire length, but all told less than ½ of 1% of the toll income comes from these commercial vehicles.

It is impossible to determine the percentage of commercial vehicles to the total number of vehicles using the project because of the "barrier type" toll collection system. A bus, for instance, going from New York City to Atlantic City would pay toll at five barriers and would therefore be counted as five vehicles instead of just one.

Regardless, one has but to ride the length of the Parkway to know that commercial vehicles do not comprise ½ of 1% of the traffic.

Because of the prevalent opinion about the need for commercial traffic there were many who looked askance at the Parkway project when its financing was first discussed. Some claim it was for this reason that the State of New Jersey had to guarantee the first $285,000,000 of bonds issued to build the road. True or false, the fact remains that the road was "talked down" by many. It was "a summer road only," or "only a pleasure road," or "a way to get people down to the seashore." More serious were claims that "there will be too many free exits and entrances." In short, the road probably would not pay!

How wrong were the prognosticators? 1956 was the first year of operation with the full mileage in use and the Parkway managed to cover its interest charges. After that revenues increased steadily every year and by the end of 1961 interest charges were being earned 1.80 times. In addition, although the serial maturities of the debt are not set up on level-debt calculation, the actual level-debt service was earned in 1961 1.06 times. At the end of 1962 interest coverage on the senior debt had risen to 2.03 times and level-debt service to 1.16 times.

(During 1962 the Parkway sold $40,000,000 of junior lien bonds. Interest on these is funded through 1966 by which time it is expected there will be additional income coming from the proposed improvements. The 1962 earnings would have covered debt interest charges on **both** senior and junior debt 1.73 times and total level-debt service 1.03 times.)

Were There Others!

But is the Garden State Parkway so unique in supporting itself with practically no commercial traffic? Could the prognosticators have been completely wrong and would other roads also be self-supporting without trucks or buses? There is no actuarial proof available. All projects keep separate records of toll income and for the number of vehicles paying those tolls by traffic classifications. On most projects, because the passenger car toll and the charge for very light panel trucks is the same they are lumped together into one classification. However, the figures would be accurate enough to work out some estimates.

Table II below lists all the operating roads which have debt outstanding. The table shows the percentage of vehicles in the passenger car classification to the total vehicles using the road as well as the percentage of the total toll revenue paid by those vehicles.

For the curious minded, if Table I does nothing else, it points up an interesting study in the variation of the percentage of passenger traffic to the whole and the very wide differences as to what each percentage contributes in tolls. On Indiana, for instance, 87.0% of the traffic produces only 64.1% of the total tolls, while right "next door" on Illinois 87.6% of the traffic turns in 81.4% of the total toll revenue.

Does the preceding table point the way to computing whether any specific road, minus its commercial revenue, would pay its way? Only if some fair and proper allocation can be made of concession income and the expense of maintenance and operation.

Devising a Formula

Study shows that concession income varies very closely with passenger car traffic. As to maintenance and operating costs it is natural to assume they would be related more to the number of vehicles using the road than to the amount of toll paid by those vehicles. It seems reasonable therefore to use the percentages in the first column of Table I as a starting point. (A more accurate yardstick would be the total mileage such vehicles traveled. Few roads publish such figures. On those which do, the variation, percentagewise, between mileage covered and the vehicles creating the mileage is quite small.)

In other words, if one takes passenger car revenue, adds to it a certain percentage, as shown in Table I) of concession income and deducts that same percentage of maintenance and operating costs, they end with a figure which might be called the "net revenue from passenger cars alone." Relate this to the interest charges on the debt plus the amount shown in the original bond prospectus for sinking fund retirement and one gets a plus or minus figure showing whether they could or couldn't have paid their way from passenger car income alone.

These computations have been made and are shown in Table III which follows. It will be noted that four other roads have joined the Garden State Parkway in the "Yes, we could have done it with only passenger cars!" Class.

TABLE III

These projects in 1962 earned full debt service (principal and interest) and exceeded it by the percent shown:

Turner Oklahoma Turnpike	60.1
Garden State Parkway	56.7
Florida Turnpike	46.0
Texas Turnpike	22.2
Richmond-Petersburg T'pike	19.2

These projects, in 1962, would have had to increase their passen-

TABLE I
Projects Which Have Retired Bonds
(000's Omitted)

	Original Debt	Present Debt	% of Debt Reduction	Original Interest	Present Interest	Coverage from Today's Earnings on Original Interest	Coverage from Today's Earnings on Present Interest
Connecticut (1)	$459,500	$457,750	0.4	$15,642	$15,457	1.16x	1.17x
Garden State P. (2)	330,000	322,175	2.4	9,899	9,717	2.06	2.10
Gr. N. O. Bridge (3)	46,000	44,425	3.4	1,840	1,777	1.39	1.44
Indiana	280,000	270,775	3.3	9,800	9,477	1.29	1.33
Jax Xway (4)	70,000	66,763	4.4	2,944	2,808	1.98	2.07
Jones Beach	40,000	29,478	26.3	1,135	813	2.20	3.07
Kansas	160,000	155,968	2.5	5,400	5,264	1.04	1.07
Kentucky (5)	38,500	35,152	8.7	1,309	1,195	2.04	2.24
Maryland Tunnel	180,000	115,548	35.8	5,170	3,301	2.76	4.33
Mississippi R. Bridge (6)	65,000	53,198	18.2	2,275	1,915	1.73	2.06
New Jersey Turnpike (7)	469,200	368,421	21.5	15,184	11,929	2.29	2.92
New York Thruway (8)	972,000	961,000	1.1	28,020	27,798	1.51	1.52
Ohio	326,000	310,567	4.7	10.595	10,093	2.00	2.10
Oklahoma Turner	38,000	32,282	15.0	1,331	1,130	2.44	2.87
Oklahoma Rogers	68,000	63,879	6.0	2,491	2,338	1.01	1.08
Pennsylvania (Old) (9)	211,500	64,712	69.4	6,099	1,996	4.29	13.09
Texas	58,500	56,787	2.1	1,656	1,608	1.84	1.89
Virginia Tunnel	95,000	86,280	9.2	2,850	2,588	2.13	2.34

(1) Income is gross income as expenses paid by State Highway Department. Income is from tolls only in this tabulation. No gas tax money included and no consideration given to some bonds being GOs.
(2) Does not include $40,000,000 junior debt as no income coming from the work scheduled to be done and the interim interest is funded.
(3) Income is net tolls plus one-half State Highway Fund No. 2.
(4) Tolls plus Duval County gasoline taxes comprise income. No expenses charged so gross figure is used.
(5) State pays expenses no income figure is gross.
(6) Net tolls plus half State Highway Funds No. 2.
(7) Does not give credit for $6,224,000 called for 7-1-63.
(8) Both revenue and GO debt included in calculations.
(9) Does not include new loan of $21,325,000 sold last August as it is not producing added income yet. No interest on loan charged either.

The present debt and interest figures are the latest available to the author. Most are as of 1-2-63 although a few are later. The current income used is the latest available also—most as of May 30, 1963, but a few through June.

Projects Which Have Not Retired Debt

	Amount Outstanding	Interest	Coverage From Earns.
Massachusetts Port Authority	$71,750,000	$3,408,000	1.75x
Massachusetts Tunnel	52,800,000	2,508,000	1.05
Maine	78,600,000	3,144,000	1.46
Elizabeth River Tunnel	41,700,000	1,877,000	1.23
West Virginia	133,000,000	5,126,000	.67
Massachusetts Turnpike	239,000,000	7,887,000	1.48
Pennsylvania new	298,000,000	9,136,000	.63
Rich.-Petersburg	75,150,000	2,657,000	1.46
Illinois	441,279,000	17,188,000	1.28
Calumet	101,000,000	3,539,000	.54

TABLE II

	Passenger Cars as Percentage of Total Vehicles } Produce { This Percentage of Total Revenue	
Garden State Parkway	99.5 Est.	99.5
Texas Turnpike	95.2	*88.2
Maine Turnpike	90.7	83.3
Florida Turnpike	90.3	86.8
Turner Oklahoma Turnpike	89.9	73.9
Massachusetts Turnpike	89.5	75.1
Kansas Turnpike	87.7	77.5
Illinois Turnpike	87.6	81.4
Indiana Turnpike	87.0	64.1
Richmond-Petersburg Turnpike	86.2	81.3
Rogers Oklahoma Turnpike	85.4	75.4
New Jersey Turnpike	84.8	67.3
Kentucky Turnpike	84.2	69.2
New York Thruway	83.5	71.7
Connecticut Turnpike	82.7	66.8
Ohio Turnpike	78.9	53.0
West Virginia Turnpike	74.6	44.6
Pennsylvania East West	†	38.7
Pennsylvania Northeast	†	76.3

*Includes small amount of "mixed traffic" at one toll gate. †Vehicle figures not broken down between the two projects.

ger car net by the percentage shown to earn full debt service exclusively from that type of traffic:

Kentucky Turnpike	0.2
Maine Turnpike	0.4
New Jersey Turnpike	7.9
New York Thruway	11.1
Illinois Turnpike	16.6
Ohio Turnpike	32.5
Connecticut Turnpike	40.0
Massachusetts Turnpike	47.1
Rogers Oklahoma Turnpike	61.1
Indiana Turnpike	66.0
Kansas Turnpike	87.9
West Virginia Turnpike	513.4

Certain comments seem pertinent at this point. They will explain in some degree the figures in Table III. Turner Oklahoma heads the list but there are several contributary causes. (1) It is one of the oldest roads and among the first to be financed. (2) It was financed in a very cheap money market. The Daily Bond Buyer Index was 1.75% (against 3.25% recently for instance). (3) Its construction cost of $439,000 per mile is the lowest of any toll road. (4) Its interest cost per mile of only $15,000 is also the lowest.

The Florida figures are only for the original road as the new section is still under construction. Here again one finds contributory factors such as (1) The fourth lowest construction cost per mile at $680,000. (2) Third lowest interest cost per mile at $22,000. (3) It is a road with a very even traffic pattern year-round. The percentagewise variation in revenue month by month is very small.

At the end of 1961 Texas and Richmond-Petersburg missed being in the top group by 1.6% and 16.0% respectively. Each raised the passenger car tariff late in 1961 with the full impact of the increases taking effect in 1962.

When observing the closeness to full debt service coverage for Kentucky, one must bear in mind that the computation is made on gross income, not net. Like Connecticut, the costs of maintenance and operation are paid by the State Highway Department.

Maine's closeness to the upper echelon is mainly because their schedule for debt retirement is very light in the early years—only $424,000 for 1962.

New Jersey Turnpike Debt Prepayment Distorts Debt Coverage

New Jersey Turnpike enthusiasts might dispute the 7.9% failure to completely cover debt service *exclusively from passenger car revenues*—and possibly with some justification. In New Jersey's case the computation was difficult. Everyone knows the road has been paying off the required amount of senior debt 3¼s every year and then retiring junior debt much faster than was called for in the Prospectus. In fact, redemption requirements on the junior bonds have been fulfilled through 1970. The problem therefore became—What principal figures does one use in a calculation like this for the year 1962? If the 1971 figure of $6,313,000 is used (since those are the next bonds to be retired) it would exact more of a penalty than using the $4,744,000 which was supposed to be paid off in 1962—but which had already been retired. Nevertheless the latter figure was used since that constituted the actual requirements for 1962. One must remember that the acceleration of debt retirement which has been taking place has been possible only because of the huge commercial revenues taken in. In a recent speech before the American Bridge, Tunnel & Turnpike Association, ICC Commissioner Clyde E. Herring said "private cars aren't contributing to the retirement of your bonded indebtedness—it's the commercial carrier who is footing the bill. This is the traffic which must be acquired." If, as being hypothetically discussed here, there had been no commercial vehicles, the 1962 figures would have been the proper one to use.

This can be proved by going back to the year 1959. That year was picked because it was the first when the prior lien 3¼s were scheduled for retirement by the sinking fund. According to the prospectus, debt service for that year was $24,620,000. Passenger car income, plus 85.7% (the 1959 figure) of concession revenue, less 85.7% of maintenance and operating costs would have equalled $19,913,000—23.6% shy of covering debt service!

No computation can be made for the Pennsylvania projects as no breakdown is kept in the number of vehicles using the older "Mainline" project (which runs from King of Prussia to the Ohio border) and those using the newer Northeast Extension project. Were such figures available they would undoubtedly show wide debt service coverage for 1962, for, like New Jersey, they have been retiring debt much faster than is required—and again, like New Jersey—as a result of tremendous commercial income! Almost 60% of the total tolls comes from commercial traffic.

The debt acceleration because of commercial tolls can be shown more conclusively by going back to the year 1953. That would be the second year of full operation for the Mainline and the first year in which any of those bonds were scheduled for retirement by the sinking fund. (It is also the last year before parts of the Northeast project were opened for traffic, thereby distorting the number-of-vehicles-figure). Using the same arithmetic as in the New Jersey case above, the Mainline would have failed to cover full debt service by 58.3%—a truly startling figure!

So—where does that leave one? Low construction costs and interest charges per mile allowed Turner Oklahoma and Florida to join the exclusive club of those roads which could probably cover all debt charges with **only passenger car revenues.** And, it was the increase in the passenger car rate which catapulted Texas and Richmond - Petersburg into that elite company. That leaves only the Garden State Parkway which "got there on its own" so to speak—no increase in toll rates and a debt and interest cost per mile of $2,141,000 and $76,000 per mile respectively. (Excluding the new junior debt.) Should the old cliche be trotted out—i.e. "That shows what heavy summer traffic can do for a road." Let us see!

"Widened Out" Vacation Periods Boost Revenue

Below are listed Table IV and Table V, the first showing the percentage of yearly **passenger car** tolls collected during July and August and the second showing the same for June, July, August and September in 1962. The second table is shown because there seems to have been a tendency over the past several years to "widen out" the vacation period. Folks whose children are grown and where the "back to school" problem does not exist have been taking holidays before or after the torrid months.

Jumping ahead to the tables, does it not surprise everyone to find "the big summer—vacation—seashore road" in eighth place and trailing such so-called commercial projects as Ohio, Indiana and Pennsylvania Mainline? And behind two more or less "southern" roads — Rogers Oklahoma and West Virginia?

It is no surprise to find Florida, Texas, Kansas and Richmond-Petersburgh having the lowest percentage of collections. But what about Connecticut and Massachusetts? Aren't they supposed to feed all the New England vacation traffic to its destination?

And how does one account for Indiana, Ohio and Pennsylvania (old) standing so high on the list? Is it true that more and more people each year go "touring the U. S." instead of setting themselves down in one vacation spot?

Whatever the answers are to these, and any other questions which might arise, they cannot be proved here. The foregoing study merely gives one pause to think about the great complex of toll roads which crosses the eastern section of our country and what they contribute to the general economy and welfare of our nation plus the fact that the Garden State Parkway in New Jersey is truly "unique."

TABLE IV — **Showing Percentage of Yearly PASSENGER CAR Tolls Collected in—**

July & August—	%
Maine Turnpike	31.4
Indiana Turnpike	30.2
Ohio Turnpike	28.8
New York Thruway	28.3
Pennsylvania (old)	27.2
Oklahoma Rogers T'pike	26.5
West Virginia Turnpike	25.8
Garden State Parkway	25.0
Massachusetts Turnpike	24.5
Connecticut Turnpike	24.3
Illinois Turnpike	23.9
Pennsylvania (new)	23.4
Oklahoma Turner	22.7
Kentucky Turnpike	22.3
New Jersey Turnpike	21.3
Richmond-Petersburg	21.2
Kansas Turnpike	20.7
Texas Turnpike	19.3
Florida Turnpike	18.0

TABLE V

June, July August & September	%
Indiana Turnpike	52.8
Maine Turnpike	51.6
Ohio Turnpike	50.4
New York Thruway	48.5
Pennsylvania (old)	48.5
Oklahoma Rogers T'pike	48.3
West Virginia Turnpike	45.8
Garden State Parkway	44.0
Illinois Turnpike	43.9
Pennsylvania (new)	43.7
Connecticut Turnpike	43.5
Massachusetts Turnpike	43.4
Oklahoma Turner	42.4
Kentucky Turnpike	40.9
New Jersey Turnpike	39.7
Kansas Turnpike	39.5
Richmond-Petersburg	38.6
Texas Turnpike	36.4
Florida Turnpike	32.0

Worldwide Currency Erosion

First National City Bank's well known annual tabulation of purchasing power loss of 43 countries' currencies refers to obstacle such an inroad on earnings place on the investment process. It points out that the development of investment institutions in underdeveloped countries, as the way to help accelerate economic growth, is hindered, also, by uneconomic price inflation.

In the accompanying table the First National City Bank of New York again presents its annual round-the-world survey of the shrinkage in the value of money. As in the past the bank measures this shrinkage by the decline in the domestic purchasing power of the various national currencies, as calculated from official cost-of-living or consumer price indexes compiled in 43 countries.

According to the bank's July "Monthly Economic Letter," "in 1962, and for the 1952-62 decade as a whole, the performance of the U. S. dollar held close to the top of the list. Yet even our 10-year average rate of shrinkage, 1.3% per annum, if projected over the life of the latest long-term U. S. Treasury bond issue, will reduce by one-third the real value of the bonds by final maturity in 1994. People take this into account in wanting interest rates around 4% on U. S. bonds and over 5% on real estate mortgages. But the fact that vast amounts of long-term borrowing and lending are being carried out in the interest rate range of 4 to 6% represents an expression of confidence that the dollar will fare no worse in the future than it has in the past. The situation is different in many other countries where indulgence of inflation has weakened or even destroyed faith in long-term promises to pay.

"While a number of important countries, including the United States, have moved closer to over-all price stability, wage-price spiraling has broken loose in a number of industrialized countries, including Western Europe rather generally. Among South American countries whose currencies have suffered the most serious losses in purchasing power, the performance of Chile has been significantly improved while deterioration has accelerated in Brazil and Argentina. This is apparent from a comparison of the annual rates of depreciation for 1961-62 with those for the 1952-62 decade.

U. N. Adds Its Voice

"The Working Party on Economic Development and Planning, an arm of the United Nations' Economic Commission for Asia and the Far East (ECAFE), recently added its voice to those of responsible officials who have been stressing the need for development of financial institutions and markets as means of faster economic progress. In Far Eastern countries, as elsewhere, family households do most of the national saving. Out of long experience with price inflation, the tendency is to put savings into tangible assets—gold, silver, real estate and works of art. But a greater proportion of household income is saved and made available for economic growth in those places, notably Japan, where people feel secure enough in their currency to entrust their savings to financial institutions that in turn can channel the money into major productive projects. Where such intermediaries do not play a prominent role, sizable investment projects remain limited to those that can be financed by plowing back profits, by foreign money, by taxes—or by shortsighted and self-defeating recourse to the printing press.

"Financial institutions that can mobilize small savings are unlikely to flourish, as the U.N. experts recognized, when there is unchecked inflation. In too many places, as our table shows, this lesson has not been applied.

"As Reinhard Kamitz, President of the Australian National Bank, said at the annual meeting of the National Industrial Conference Board, May 17: 'The rates of monetary depreciation in the free world, which prevailed during the last 10 years, must be considerably reduced, if we really want the best possible results of modern economic policy and the highest possible standards of living'."

	Indexes of Value of Money			Annual Depreciation	
	1952	1961	1962	'52-'62*	'61-'62
Ceylon	100	95	94	0.6%	1.0%
Venezuela	100	93	93	0.7	—1.0
Guatemala	100	94	92	0.8	2.0
El Salvador	100	91	91	1.0	--
Canada	100	91	90	1.1	1.0
Philippines	100	94	89	1.1	5.4
Belgium	100	90	89	1.2	1.0
Ecuador	100	92	89	1.2	2.8
Switzerland	100	92	88	1.2	3.7
United States	100	89	88	1.3	1.0
Lebanon	100	89	87	1.4	1.9
Portugal	100	92	87	1.4	4.6
Germany	100	89	86	1.5	3.7
Italy	100	84	80	2.2	4.6
South Africa	100	81	80	2.2	1.0
Austria	100	84	79	2.3	5.4
India	100	82	79	2.3	3.6
Australia	100	79	79	2.4	--
Netherlands	100	81	78	2.4	3.7
Pakistan	100	78	78	2.5	--
Denmark	100	81	76	2.8	7.0
Ireland	100	79	75	2.8	4.6
Norway	100	79	75	2.9	5.4
United Kingdom	100	78	75	2.9	3.7
Sweden	100	77	74	3.0	4.5
New Zealand	100	76	73	3.1	3.6
Japan	100	77	72	3.2	5.9
France	100	73	70	3.5	4.2
Finland	100	72	69	3.6	3.6
Greece	100	66	66	4.0	--
Mexico	100	62	62	4.7	0.9
Spain	100	63	60	5.0	5.1
Iran	100	54	54	6.0	0.8
Peru	100	53	50	6.7	5.9
Colombia	100	51	50	6.8	2.4
Israel	100	51	46	7.5	9.0
China (Taiwan)	100	45	44	7.9	2.1
Turkey	100	41	39	8.9	4.2
Uruguay	100	23	21	14.6	9.2
Argentina	100	14	11	19.7	21.8
Brazil	100	13	9	21.5	33.8
Chile	100	6	6	25.0	12.1
Bolivia	100	1	1	35.2	5.3

*Compounded annually.
Note: Depreciation computed from unrounded data. Value of money is measured by reciprocals of official cost-of-living or consumer price indexes.

As We See It

Continued from page 1

industry finds itself that the general public should take an active interest in this matter, refuse to be led around by the nose by purely political maneuvering, and insist that something radical be done about a situation that is costing them more than a half billion a year directly, and a good more besides.

And let it be clearly understood that these rules which keep railroad employees collecting huge sums for work which they do not do and are not expected to do, costs not only the railroads but the great rank and file of us all many hundreds of millions every year. Not only ordinary consumers but large numbers of men and women, who directly or indirectly depend for their living upon interest from railroad bonds bought in good faith, and upon dividends from the companies whose earnings are often now so seriously impaired that dividends and even debt service are of doubtful certainty. Statements to the effect that these rules cost the railroads such and such an amount each year are of course but a figurative way of saying that the owners and creditors of the companies are required to throw this money down a rat hole.

Let no one forget that the facts surrounding this dispute have been thoroughly sifted by men selected by the President (who would never be accused of disregard of political factors) and that the railroad companies have repeatedly accepted suggestions from such bodies and that the unions have as consistently refused to honor them. For our part, we should never of free choice give political appointees final say in matters of this sort. We should, of course, much prefer arrangements which permitted natural forces to settle them. But of one thing we may be sure: If a politically appointed group of men come up with a formal verdict that wage earners are getting much more than is reasonable for the amount of work they do, or are required to do, then action designed to correct the situation is urgently needed.

Other Cases, Too

There are, of course, innumerable other cases where monopolistic unions have used their power to demand and get much more than the market would in normal competition ever award their members. What is fully as important is the fact that various restrictions, jurisdictional disputes and the like have so cut into production efficiency and production progress that featherbedding is in point of fact no longer a practice confined to the railroad industry. What is more, the progress of technology in recent years has created a situation made to order for monopolies which are bent upon keeping men on payrolls who are no longer needed. It is all very well to say that industry itself should shoulder the cost of rapid changes in technology. The fact is, though, that no conceivable system of social justice or any other kind of justice demands that these men continue to pretend to work, when there is nothing for them to do, and to continue to draw the same wages. Nor is there any warrant for men who continue on the payrolls refusing to do certain work in order that some other union members may have an opportunity to do it —and still draw the same pay or even higher wages.

Nor can governmental subsidy be regarded as a remedy for conditions which arise out of such practices. The practices themselves must go. Government help to enable employers to continue to meet the demands of the unions have again and again been tried—and always failed to do more than keep the companies going, and to make them less and less competitive with foreign enterprises. In the case of the railroads, the union probably would be quite content to have the government take over the lines, boots and baggage. They believe, we are sure, that with their political influence they would be then in a position to put forward their claims with more practical effect. It would, however, be a sad day for this country when the government became owner of this main element in our transportation system. Some time within the next few weeks, Congress will have to face the facts of this situation unless — as we all must hope will not happen — the railroad companies feel that they must yield to the demands of the unions. We can only hope that the members of the national legislature can and will take a realistic and courageous look at this situation.

Solution Must Be Found

But sooner or later some sort of solution of the same situation—or one rapidly becoming much the same — in industry in general must be sought and found. When we come to that problem we shall no longer be able to avoid the basic question of a monopoly or a series of monopolies of labor unions and a rather broad and far reaching insistence upon competition among those who must employ labor. We simply cannot afford to continue to prattle about the under-privileged and the down-trodden working man—or to continue to plead the other now antiquated concepts that in years past have enabled shrewd politicians to ride into office —and do nothing about all this except to make it worse. That way leads to economic decay and ultimately to oblivion.

Urban Renewal Programs—A New Super Industry?

The business of replacing slum housing, and rebuilding decrepit downtown areas and obsolete factory districts could be the giant industry of the future, gobbling up twice as many dollars in a year as the present defense program, says the *Alexander Hamilton Institute.*

An attack on civic decay is coming. One recent study estimates that a minimum modernization program, covering the nation and including small, medium and large cities would call for $110 billion a year over the next 12 years.

Around 600 American cities have renewal programs of one kind or another under way embracing 1,200 individual projects. An estimated 10% are housing projects, replacing slums. The remainder include many kinds of centers—civic, cultural, research, industrial, medical and shopping. New schools, office buildings, terminals and piers are also included. The total is ten times that of 1950, yet the program is considered to be "only in its infancy" by the U. S. Urban Renewal Administration.

Business and labor both benefit from the increase in commercial activity that follows the rebuilding of a business district. The two industries receiving the largest direct benefits are construction and retailing. Since these are also the nation's two largest industries, the benefits of a successful renewal program are spread over a very wide area.

The share of the private investor in financing urban renewal is by far the largest in most projects—from $3 to $5 for every dollar of Federal or local funds. Federal funds are available only after a city has determined that a proposed project will pay for itself through higher tax revenues and has met at least a third of the cost of buying up and clearing the land chosen for a renewal project. The cleared area is then offered at cost, or less, to private investors—builders, business companies or civic groups agreeing to erect approved structures.

Payments Balance Basic Cure A Strong Domestic Economy

Continued from page 10

(it must be acknowledged, however, that comparisons of costs and prices between countries are made in an area of relative lack of hard facts and permit only the most general statements); and the less developed countries, which continue to suffer from relatively unfavorable terms of trade are not likely to provide strong markets for exports, while some of them will be seeking a place in our markets, which they must have if our foreign economic aid has meaning, for their emerging industrial products.

We cannot rely on the rest of the world, whether by inflation or cost-price increases in Western Europe or commodity stabilization agreements or otherwise, to solve our problem for us by the trade route. And it is unlikely that we can do it ourselves, even though we succeed in making businessmen more "export minded," further improve our means of financing and insuring exports, and provide further government assistance in finding markets and promoting products. We shall probably need to do everything we can to promote our exports and to persuade foreign nations to reduce hidden subsidies to their exporters, even to maintain our present position.

Oppose Capital Flow Controls

This analysis places the immediate burden of adjustment of our balance-of-payments position on the capital accounts.

So far as the net outflow of private capital is concerned, whether by way of direct investment or portfolio investment abroad, or by way of foreign long-term borrowing in our capital markets, the dictates of our general policy of sanctioning and promoting the free flow of capital over international boundaries, suggest that only on the most extraordinary and extreme circumstances, which we have not yet had to face, should governmental intereference be considered. Even then practical judgment suggests that a control of capital exports, which would seek to achieve substantial results, would probably be self-defeating because of suspicions aroused concerning subsequent restraints which might be imposed on existing dollar holdings of foreigners, even if there were not widespread avoidance of the control, which seems likely. And quite aside from this general prohibition, there is the broadly accurate claim that outflows of private capital affect other items in the balance of payments favorably (to some extent immediately and to an increasing extent over time), and that they are a means of establishing or preserving a position in foreign markets which we might not be able to obtain if we tried to wait until the balance of payments is less of a problem.

Heavy Foreign Borrowings Here

In recent months the aspect of the movement of private capital abroad, which has attracted most attention, has been foreign long-term borrowing in our capital market. During 1962 United States investors purchased nearly $1 billion of new foreign dollar bonds, and the Department of Commerce has estimated that, during the first three months of 1963, United States residents bought more than $500 million of foreign securities, perhaps one half of which were of Canadian origin. This is an exceptionally large amount to be bought in such a short space of time, and these portfolio investments do not have quite the same seed-corn attributes as direct investment abroad. Such heavy foreign borrowing in our market is not likely to recur, of course, even though lower long-term rates of interest here and a capital market which can and does move larger amounts of securities than any other capital market in the world, do make this country an attractive place for foreigners to seek funds; and substantially higher yields on issues of investment character have made foreign bonds increasingly attractive to United States investors. But even if a gradual upward trend of foreign borrowing continues, capital issues control, whether by way of legal restrictions, or "moral suasion," or voluntary restriction, does not recommend itself for the United States, no matter how effective such methods may be in smaller countries with more homogeneous markets and with currencies which play a lesser international role than the dollar. If the United States is to continue as it should, in view of its fundamental strength, to be the premier banker of the free world and if the dollar is to continue, as it must, as the principal trading and reserve currency of the free world, we cannot begin tampering with the ability of individuals or companies to invest their funds where they will. This is not to say that, with a view to our balance of payments problem, we should not continue to press other advanced countries to remove remaining obstacles to foreign borrowing in their markets, nor that our financial community should not be just as aggressive in trying to attract capital to this country as in promoting its flow abroad. Decisions in this area should rest in the marketplace.

The Solution

The most useful and effective way of dealing with the outflow of private capital from the United States would be action taken to increase the attractiveness of investment at home as contrasted with investment abroad. This is one of the factors which recommends a prompt cut in taxes here, so that an improved rate of domestic activity and a larger retention of the profits of such activity, would shift in our favor the comparative advantages of investment at home and in foreign countries. The decisions of private individuals and private business, concerning investments at home or abroad, should not be weighted against domestic investment by a tax structure which is a drag on the domestic economy.

The collateral and important advantage of this course, specifically from the standpoint of the balance of payments, is the increased freedom for monetary policy which would be provided by such action on the fiscal front. This is not advocacy of higher interest rates or lessened liquidity in such terms as would offset the expansionary effects of a tax reduction and thwart the objective of stimulating domestic economic growth. As Secretary Dillon has said: "As investment activity increases in response to the stimulus of tax reductions, private credit demands will also expand, and the available supply of savings will be more fully absorbed." And as the late Per Jacobsson added: "We must also recognize that under these conditions interest rates may rise in response to market forces. In other words, a tax cut would give greater freedom to the authorities in their credit policy which could be used to ensure that there would be no inflationary financing of the deficit. At the same time, it makes it possible for the government, if it so wishes, to allow the rate of interest at which it would have to borrow to rise somewhat." It is in this sort of economic climate that greater freedom with respect to monetary policy could stiffen the defenses against damaging outflows of short-term capital, and perhaps lessen the attractiveness of our capital markets as a source of foreign borrowing. In the absence of prompt development of such a combination of fiscal and monetary policy, we may well be faced with the necessity of taking monetary action, by itself, to defend our international position.

Absolves Deficit-Financing

May I digress here, for a moment, to say that in referring to such a course I am not succumbing to the argument, which was presented at the November meeting of the American Petroleum Institute, that payments of deficits are primarily (if not solely) caused by monetary policy, and that the only way to stop our payments deficit is to stop increasing the domestic assets of our Federal Reserve Banks† The advocate of this one way approach inveighed against those who compartmentalize the balance of payments and blame the deficit on one particular compartment or another. Without entering into an extended argument, I suggest that his approach compartmentalizes our domestic economy, minimizes the effects of fiscal policy (tax policy) and cost-price policy on our international position, and attempts to force all of our payments difficulties, as well as our sluggish growth rate and our stubborn unemployment problem, into the monetary compartment. I have no doubt that the monetary policy—the so-called easy money policy—which has been followed in the United States during the years of heavy payments deficits has helped to prolong the period of deficits. This has been a calculated risk, taken in the light of all of the factors in a complex domestic and international situation. I also have no doubt that monetary policy alone was not and is not the best answer to our balance of payments problem. It could be if we had to take "crisis action," neglecting all other considerations than the quick elimination of the balance of payments deficit, but we don't. We have the time and the resources for more orderly and more realistic action, giving greater emphasis by way of monetary policy to our international position, greater emphasis by way of tax policy too ur domestic situation, and grappling more vigorously with our cost-price problems. To suggest that we can and should do whatever needs to be done with monetary policy alone, is too rigid a doctrine for practical use.

Reducing Foreign Aid Is Difficult

In the area of capital outflows on public account it is difficult for the individual to suggest constructive action, other than to advocate even stronger pursuit of efforts to persuade our Western Allies to assume a larger share of the costs of the common defense, including economic aid to the less developed countries. The complex issues of diplomacy, military collaboration and economic integration which are involved are hard to disentangle and evaluate from outside the government. It has seemed increasingly clear, however, that our associates in the Free World will respond to the limits of their responsibility, capacity and interest only if we cut down on our own contributions. It can be urged again, therefore, that efforts to reduce our share of the common military expenditures abroad be vigorously pursued. (The improvement in this area thus far, in real balance-of-payment terms, has been disappointing, insofar as the public figures can be interpreted.)

It is also possible to endorse in general the findings and recommendations of the Clay Committee with respect to our foreign aid program, which it would be expected will lead to a reduction of our expenditures abroad. Foreign aid is a special kind of an export of capital. It has become a continuing adverse factor rather than a swing factor in our balance of payments, and has shown a tendency to grow from year to year. In economic terms it tends to pay out only in the distant future, especially when terms of loans are stretched out over time and interest payments are lowered to minimum levels. It has drifted into tied loans, which compromise our position with respect to the maximum freedom of international movement of capital, goods, and services, And so far as current balance-of-payments figures are concerned, tied loans have contributed much less to improvement in the balance of payments than the percentage of newly committed tied loans might indicate, and they, in turn, may well permit other foreign exchange earnings of aid-receiving countries to be diverted to sources of supply other than the United States.

It is past time, indeed, for a severe tighening up in our foreign military and economic aid. This is not to counsel sacrificing our national security or our political position to the not so almighty dollar. This confrontation is a false one, which tends to present itself in terms of either, or; either the withdrawal, say, of a division of our troops from western Europe or an improvement in our balance of payments. Rather, it is a question of national priorities and relative advantages and possibilities. If we allow the status of the dollar to be further undermined and the workings of the international monetary system to be thus jeopardized, in order that we may continue to bear an unequal share of the military defense of our world and of its economic development, we shall have made less than our best contribution to the goals of security and political position we seek.

Basic Remedy

At the base of all remedies for the balance of payments of the United States is the better functioning of the domestic economy. With an increase in economic activity and an improved rate of economic growth, even those difficulties which are not moderated in balance-of-payments terms (some might even be increased if imports increased more than exports) would be more readily borne, and confidence in our performance at home and abroad would provide a protective shield to the dollar.

The role of the government, here, must include monetary policy, fiscal policy and cost-price policy. There should be no insurmountable difficulty in formulating a monetary policy which, combined with a more stimulating fiscal policy, could continue to contribute to domestic expansion and be more effective in terms of international capital movements (short term certainly and long term perhaps) than it has been thus far. Monetary policy is a relatively flexible instrument and can be fitted to the economic situation with some degree of precision, to support an expansion now given a boost by fiscal relaxation, while tempering excesses which may be born of such relaxation.

Firming Government Spending

The arguments for a change in fiscal policy to stimulate the growth of the economy have been and are being strenuously debated. The general acceptance of the need for a tax cut—corporate and individual — has been weakened by concern over present and prospective budgetary deficits. The general resolve of the executive branch of government to avoid further increases in government spending during the coming fiscal year, except for defense and for exploration in space (and for interest payments on the Federal debt), has suffered in the public mind by reason of the fact that increases in other expenditures, which seem certain, have been offset by reductions which seem nebulous, and by proposals for future obligational authority for expenditures without terminal point, which detract from the accomplishments of a single budget year. There should be a further firming of position on this score, soon, by executive and legislative action.

To go further, and to suggest that there should be a rigorous re-examination of all items in the budget, including military and space expenditures, to the end that whatever deficit develops in fiscal 1964 will be no larger than is absolutely necessary, brings the unofficial observer face to face with questions which he cannot attempt to answer with assurance. I have already intimated that it might be possible to reduce our military expenditures abroad, at least if our allies and associates could be brought to assume a more equitable share of the joint burden. And doubts persist in many quarters, not all political, that our rapidly increasing space expenditures are an invitation to waste and may be another case of mixed priorities.

The space program, in general, is defended as having had almost unanimous support in the Congress and in the country in the past, and on the ground that any substantial reduction in the request for funds for fiscal 1964, would be the same as deciding that the United States will be second in space throughout the decade of the sixties. Surely, however, the decisions of past Congresses and the feelings of masses of people under the press of conditions at a particular time, are not the equivalent of continuous unanimous approval nor a complete bar to rigid re-examination. Nor does it seem possible to the layman to determine just what constitutes being second in space. There are such a variety of objectives being sought by exploration in space, and such a variety of achievements, that one looks in vain for a box-score giving the standing of the nations. And the scientists are not of much help. One group labels racing to land a man on the moon as lunar lunacy. Another group defends the program on the grounds that it embraces other national interests and goals and that it is only part of significant long range plans for exploration of the solar system. A third group brings forward a massive program, over contemporary time, for acquiring a deeper understanding of the fundamental nature of matter. It is sometimes hard to tell whether scientists are talking in accord with their political leanings, or their particular scientific interests, or whether they are talking objectively about the best use of our economic resources and our scientific manpower. We want to learn the secrets of the solar system, we want to learn the secrets of the inside of the atom, and we want to learn the secrets of ameliorating man's condition on earth. We need a better sense of order and balance in seeking to satisfy our wants.

Keeping Costs Down

Finally, in this tri-partite approach to an improved domestic economy which I have advocated, it must be admitted that mastery of cost-price relationships is most important in terms of sustainable economic growth, reduced unemployment, and an approach to equilibrium in the balance of payments over the long run. This is the third leg of a three-legged stool which won't stand up without it. We seem to be making some progress, complicated by the overhanging threats to job security of those now employed and those who will be entering the labor force in increasing numbers, by the technical advances (automation) which must be embraced if our international competitive position is to be maintained. There are still strategically placed forces in labor which do not seem to be a part of this progress and which may yet infect the whole effort. We have done little if anything in those areas where past efforts to preserve marginal producers in agriculture and industry, have handicapped the more efficient, and weakened our competitive stance in a period in which the inefficient are a luxury.

If a period of increased economic activity and an improved rate of economic growth, brought about by fiscal and monetary policy, were to result in another round of general cost-price advances and a revival of an inflationary psychology, the gains which have been made in the defense of the dollar and in the balance-of-payments position would be jeopardized if not lost.

Conclusion

The conclusion of my analysis and argument concerning the balance-of-payments position of the United States is that a top national priority should be given to its correction; that it should not be treated as something wholly subordinate to our international political policies and military programs nor to demands of the domestic economy. We have talked a good deal about the discipline of the balance of payments, and we have done something about it. But the problem has proved to be more stubborn than we anticipated. We have been able to live with the short-fall of our response, because we have been able to finance continuing deficits with sales of gold and increases in our foreign liabilities. There is a limit to financing the deficit in this way. We are approaching that limit, even though the time interval is shifting and uncertain, because it involves the apprehension points of our own people and of foreign holders of dollars. The encouraging fact is that the long-term outlook is in our favor. We are a solvent nation, with the competitive ability to sell more abroad than we buy, with tremendous investments overseas which are bringing us an increasing income, with a currency which is the most widely used of all the currencies in world trade and which is the keystone of the free world's monetary system. Our task is to survive in the short-term so that we may realize the favors of the long-term. To insure that survival now demands a coordinated attack by way of fiscal policy, monetary policy and cost-price policy on our balance-of-payments deficits.

If we are reasonably successful on all three fronts, our balance of payments can be remedied over time. We can and should avoid rying to say when we may reach a safer and more tolerable position, because no one can foresee the possible shifts which may occur in the complicated trading, financial and governmental relationships which underlie the balance of payments. The important thing is to be making substantial progress in the right direction and to have a firm enough policy to warrant confidence that progress will be continued.

*An address by Mr. Sproul at a meeting of the Division of Accounting and Finance of the American Petroleum Institute, San Francisco, Calif.

†ED. NOTE: See *Chronicle's* article by John Exter on "Root Cause of Payments Imbalance Is Easy Money," Feb. 14, 1963, pp. 5, 37, 38.

Pinkus Joins M. A. Schapiro

A. Elliott Pinkus, who has just retired as Vice-President of First National City Bank, has joined the investment banking firm of M. A. Schapiro & Co., Inc., 1 Chase Manhattan Plaza, New York City, as consultant to banking institutions in tax planning, mergers and valuations.

A. Elliott Pinkus

Mr. Pinkus served the bank for 35 years, having joined the former National City Bank in 1928. He is well known in tax and banking circles.

M. A. Schapiro & Co., Inc. are underwriters, brokers and dealers in bank stocks, and are publishers of *Bank Stock Quarterly*.

IBA Challenges Saxon on Underwritings by Banks

Continued from page 12

that several recent rulings by the Comptroller of the Currency have erroneously concluded that certain revenue bond issues were "general obligations of a state or a political subdivision" eligible for National Banks to deal in and underwrite. Appendix A, attached as a part of this letter, summarizes the facts with respect to the bonds involved in four such rulings (bonds of the Illinois Public Building Commission, the Pennsylvania General State Authority, the Virginia Public School Authority, and the Georgia Rural Roads Authority) and concludes that the bonds in question were actually **revenue** bonds payable only from a special fund of the issuer and were not general obligations of a state or a political subdivision thereof. Doubt of the authority of the Comptroller of the Currency to authorize banks to deal in and underwrite such bonds is also indicated by the fact that several National Banks on advice of counsel refrained from bidding on some of these issues. Furthermore, in at least one case, the bonds in question were specifically referred to in the authorizing statute as "revenue bonds" and the Supreme Court of the state in question specifically held that the bonds were not general obligations of the issuer or of the municipalities which made payments to the special fund.

Consequently, the proposed definition of "general obligation of any State or of any political subdivision thereof" in subdivision (e) of section 1.3 of the proposed rule is contrary to the accepted and legal meaning of the term and the clear intent of Congress because (i) it would not require that the obligation be secured by the taxing power of the issuer and (ii) it would include revenue bonds payable from a special fund not secured by the full faith, credit and taxing power of the issuer.

Conclusions

(1) Section 1.4 of the proposed rule should be deleted because the law does not grant to the Comptroller of the Currency power to authorize banks to deal in or underwrite securities.

(2) If a definition of "general obligation of any State or of any political subdivision thereof" is to be included, it should be as follows:

"The phrase 'general obligation of any State or of any political subdivision thereof' means an obligation issued by any State or any political subdivision thereof and secured by the full faith, credit and taxing power of the issuer."

Finally, you probably know that the membership of the Investment Bankers Association of America includes about 785 investment banking firms of which about 100 are commercial banks. Some of these member banks would undoubtedly support a proposal to amend the law to permit banks to underwrite municipal revenue bonds, although the Investment Bankers Association is opposed to such an amendment. However, I believe that many banks which are members of the Association agree with the foregoing comments in this letter (as indicated by their refraining from bidding on some of the four issues referred to above).

Sincerely yours,

AMYAS AMES

APPENDIX A

Letter to Hon. James J. Saxon Comptroller of the Currency July 26, 1963

Objections to Rulings by Comptroller of the Currency That Certain Revenue Bonds Payable From a Special Fund Were General Obligations of a State or Political Subdivision Thereof Eligible for National Banks to Deal in and Underwrite.

(1) Bonds of the Illinois Public Building Commission

Section 15 of the Illinois Public Building Commission Act authorizes public building commissions to issue "revenue bonds" payable solely from the revenues derived from the operation, management and use of the buildings or other facilities acquired by the commission, which revenues shall include payments received under any leases or other construction for the use of the facilities, buildings or space therein. The Act specifically authorizes the issuance of **"revenue bonds"** and provides that "all bonds shall recite in the body thereof that the principal and interest thereon are payable solely from the revenues pledged to pay the same and shall state on their face that it is not an indebtedness of the commission or a claim against the property of such commission." The Act further provides that no bond issued thereunder shall constitute a debt of the commission or of any public body within the meaning of any statutory or constitutional limitation as to debt. It is specified that it shall be the duty of the commission to establish and fix rates, rentals, fees and charges for the use of any and all buildings or space therein or other facilities owned and operated by the commission, sufficient at all times to pay the maintenance and operating costs and to pay the accruing interest and retire the bonds at maturity and to make all payments to the accounts created by any bond resolution. Section 18 of the Act provides in substance that whenever a municipal corporation having taxing power enters into a lease with a public building commission the municipality shall enact an ordinance or resolution providing for the levy of a direct annual tax sufficient to pay the annual rental under the lease when it becomes due and payable.

The Supreme Court of Illinois in *People ex rel. Adamowski v. Public Building Commission of Chicago et al.*, 142 N.E. 2d 67, in 1957 concluded that bonds issued by the Public Building Commission of Chicago were not general obligations of the Commission or of the municipalities making payments to the Commission under rental agreements, stating as follows (pages 73-74):

"The obligation, then, is to be paid solely from the revenues and income derived from property purchased with the bonds or their proceeds and we have held under comparable statutory provisions that such an obligation is not an indebtedness within the proscriptions of our Constitution (citing authorities). From these authorities it is clear that the bonds **do not become general obligations of the issuer,** but the question remains as to whether, as appellant contends, the circumstance that the bulk of the revenue will in fact be derived from the annual rentals pledged by the participating municipalities causes the bonds to become general obligations of debt of those municipalities within the purview of the Constitution."

* * *

"Municipalities leasing facilities do not obligate themselves to pay the principal or interest on the bonds but only the stipulated rental. As in the Loomis case we fail to perceive how it can be said the renting municipalities become liable for the bonds issued by the Commission, a separate governmental entity, merely because they pay rent for the use of the Commission's buildings.

"We conclude that section 18 does not operate to cause the bonds issued by the Commission to become general obligations of the leasing municipalities so as to constitute an indebtedness of the municipalities within the meaning of the Constitution."

(2) Pennsylvania General State Authority

The Pennsylvania General State Authority Act of 1949 authorizes the Authority to acquire, construct and equip various projects and to lease such projects to the Department of Property and Supplies and the Department of Public Construction of the Commonwealth, acting on behalf of the Commonwealth. The Act authorizes the Authority to issue bonds and to secure the payment of such bonds **by pledge of its revenues and rentals.** The Act authorizes the Authority to charge and collect rates, rentals and other charges for the use of the projects for the purpose of providing for the payment of the expenses of the Authority, the construction, improvement, repair, equipping, furnishing, maintaining and operation of its facilities and properties and the payment of the principal of and interest on its obligations. The lease provides that rentals shall be payable only out of the current revenues of the Commonwealth. The Act specifically provides that the Authority shall have no power to pledge the credit or the taxing power of the Commonwealth or political subdivision thereof, that the obligations or debts of the Authority shall not be deemed to be obligations of the Commonwealth or political subdivisions thereof, and that neither the Commonwealth nor any political subdivision thereof shall be liable for the payment of principal of or interest on such obligations.

Again, it is apparent that bonds issued by the Pennsylvania General State Authority are revenue bonds, not general obligations of a state or a political subdivision thereof because the Authority has no taxing authority and the bonds do not constitute an obligation of the Commonwealth of Pennsylvania.

(3) Virginia Public School Authority

The Virginia Public School Authority Act of 1962 authorizes the Authority to issue bonds to provide funds to purchase local school bonds issued by counties, cities, and towns in Virginia. The bonds issued by the Authority shall be payable solely from the funds of the Authority, including, but without limitation, (i) payments of principal of and interest on local school bonds purchased by the Authority, (ii) the proceeds of the sale of any such local school bonds, (iii) payments of principal of and interest on obligations transferred to the Authority from the Literary Fund, (iv) the proceeds of the sale of any such obligations, and (v) any moneys transferred to the Authority from the Literary Fund, as shall be provided by the resolution of the Board authorizing any such bonds. The Authority has no power of taxation and section 7 of the Act specifically provides that bonds of the Authority shall not constitute a debt of the Commonwealth or a pledge of the faith or credit of the Commonwealth and that "all bonds of the Authority shall contain on the face thereof a statement to the effect that neither the faith and credit nor the taxing power of the Commonwealth or of any political subdivision thereof is, or shall be, pledged to the payment of the principal of or the interest on such bonds."

Bonds of the Virginia Public School Authority are revenue bonds, not general obligations of a state or a political subdivision thereof because they are payable only from the funds of the Authority which has no power of taxation and they are not obligations of the Commonwealth of Virginia or of any other political subdivision thereof.

(4) Georgia Rural Roads Authority

The Georgia Rural Roads Authority Act authorizes the Authority to issue bonds (which are described in Section 95-2615 of the Code of Georgia, Annotated, as "Revenue Bonds") to construct, repair and maintain rural roads which are leased to the State of Georgia and the State Highway Department. The bonds are payable from and secured by **a pledge of rentals** to be received by the Authority from the State and the State Highway Department under the terms of such lease, together with all other available revenues of the Authority. Such rentals are a charge on the funds annually appropriated to the State Highway Department of Georgia by the Georgia Legislature, which appropriation is required by paragraph IV of Section IX of Article VII of the Constitution of Georgia, to be not less than the total Motor Fuel Taxes for the immediately preceding fiscal year, less the amount of refunds, rebates and collection costs authorized by law. Also, paragraph I(a) of Section VI of Article VII of the Constitution of Georgia, as amended by an amendment ratified at the 1960 general election, provides that the General Assembly shall include in each general appropriations act sums sufficient to satisfy the payments required to be made in each year under lease contracts now or hereafter entered into pursuant to this paragraph by and between a state department, agency or institution and any state authority, which said lease contracts constitute authority for bonds or any other obligations issued by any such authority. The Georgia Supreme Court in passing on the validity of the Act in September, 1955 (89 S. E. 2nd 204) stated that . . . "the Rural Roads Authority Act provides that the State itself is authorized to become a party to the rental contracts and that 'The rentals contracted to be paid by the lessee to the Authority under leases entered upon pursuant to this Act shall constitute obligations of the State, for the payment of which the good faith of the State is hereby pledged'." However, the Act also provides that "Bonds issued under the provisions of this chapter shall not be deemed to constitute a debt of the State of Georgia or a pledge of the credit of this State, but such bonds shall be payable solely from the fund hereafter provided for and the issuance of such bonds shall not directly, indirectly or contingently obligate the State to levy or to pledge any form of taxation whatsoever therefore or to make any appropriation for the payment, and all such bonds shall contain recitals on their face covering substantially the foregoing provisions of this section."

Official Statement Continues

The official statement for bonds of the Georgia Rural Roads Authority also states that "The Authority is not the State but an instrumentality thereof and as a separate entity cannot pledge the credit of the State. These bonds shall not be deemed to constitute a debt of the State of Georgia or a pledge of the credit of the State but such bonds shall be payable solely from the rents received in accordance with the lease agreement entered into between the Authority, the State and the State Highway Department."

Consequently, while the rental payments by the State of Georgia to the Authority are an obligation of the State, the bonds issued by the Authority are revenue bonds, not general obligations of a state or political subdivision thereof, because the Authority has no power of taxation and the bonds are payable solely from the rents received in accordance with the lease agreement and the bonds of the Authority are not obligations of the State of Georgia.

In each of the four cases referred to above the bonds involved were revenue bonds not general obligations of a state or political subdivision thereof because the issuer did not have the power of taxation and any obligation by other entities to make rental or other payments to a special fund of the issuer of the bonds did not make the bonds a general obligation of the entity making such payments.

If "an obligation payable from a special fund when the full faith and credit of a state or any political subdivision thereof is obligated for payments into the fund of amounts which will be sufficient to provide for all required payments in connection with the obligation" were a "general obligation of a state or political subdivision thereof" within the meaning of paragraph 7 of R. S. 5136, Congress would not have amended paragraph 7 of R. S. 5136 specifically to except from the limitations and restrictions therein against bank dealing and underwriting bonds issued by local housing authorities and secured by an annual pledge of the net rental revenues of the local housing authority and an annual contributions contract with the Public Housing Administration of the United States obligating the PHA unconditionally to pay annual contributions of amounts which will be sufficient to pay the principal and interest on the bonds when due. The obligation of the PHA to pay the annual contributions is unconditional and has been held to pledge the faith of the United States for such contributions. The fact that Congress found it necessary to amend paragraph 7 specifically to except from the restrictions and limitations therein a bond payable from a special fund for which the credit of the United States was pledged when paragraph 7 already excepted "obligations of the United States" indicates clearly that the term "general obligation of any state or of any political subdivision thereof" is not intended to include an obligation payable only from a special fund when the full faith and credit of some other entity is obligated for payments into the fund.

Long-Term Capital Sources For Small-Medium Business

Continued from page 13

and total legal expense. The percentage cost of larger placements should be less. A public offering of the company's stock to raise $1 million to $3 million would cost the company anywhere from 11% to 15%, including the cost of printing, legal expenses, accounting expenses, and the investment banker's underwriting charge (underwriter's spread). As financings increase in size, the out-of-pocket costs decrease percentagewise, but there still would be an impressive advantage to the private placement from the standpoint of out-of-pocket costs. I might also add that the legal costs involved with a secured debt placement are usually much larger than those for an unsecured debt because of the more complicated covenants. A life insurance company recently told me that the legal costs involved in a $900,000 mortgage was $12,000. Had this same placement been unsecured, the legal costs probably would not have exceeded $5,000.

There may be sound reasons for a public offering despite the added cost, including creating a market for the company's shares, broadening the distribution, etc. The sale of stock, either preferred or common, has the principal objective of strengthening the corporation's equity base. It is not feasible to incur debt without equity and the larger the equity cushion, the more leeway there is for debt assumption. I will discuss this further.

Financing Rules of Thumb

Questions usually raised ask who can qualify for long-term debt placements, and secondly what minimum size is desired? Any company with a solid earnings record of five years or more should be able to qualify for long-term unsecured debt. Surprisingly enough, placements are being made for amounts as small as $100,000. However, most private placements of debt exceed $500,000. It is generally uneconomic for an institution to make the necessary investigation for a small loan. Many companies whose stock may be quite unattractive for a public offering are excellent candidates for private placements since while they have an earnings record, they may be engaged in an unromantic business. Past and prospective earning power are more important than the net worth of the Company but net worth is a factor in any loan. The institutional buyer will normally expect fixed charges (including interest and leases over three years) to be covered four to five times before taxes and before the deduction of these charges. Total debt service (interest plus installments) should be covered after-taxes by at least one and one-half to two times. In cases where these rules of thumb are violated, it may be necessary to give up a small amount of equity to persuade the institution to make the loan. If an institution buys an unsecured note, it will be particularly anxious that no secured debt be placed ahead of it, such as collateral loans or mortgage debt. There normally will be a requirement that working capital be kept at a certain level. There also may be limitations on the percent of earnings that may be paid out in cash dividends. Most of the restrictions are those that normally would be adopted by a well-run business. In reviewing a case for a private placement, the institution will expect unqualified audited statements.

In many cases it may be wise if the investment banker invites the commercial banker to participate in the shorter term maturities of the private placement. The commercial banker in all probability will continue to loan on a current basis.

Operations and Financial History

For a particular placement there is a great difference between institutions as being the most appropriate source for a particular loan. Last Fall I checked three life insurance companies regarding a million dollar placement for a company that wished to build a new plant. It was desirable to have a 15-year maturity, and they were considering a delay in principal payments of two or three years. Rates quoted varied from 5⅜% to 6%, and from enthusiasm to almost complete lack of interest. In addition to finding an appropriate lender, the investment banker will try to negotiate the best terms possible regarding maturity, interest rate, and specific terms of the loan that will fit the Company's past financial performance and mode of operation. Since such factors as the Company's operations, standing in its industry, the continuity of management, employee benefits, and other questions are important to the institutional buyer, the investment banker must often prepare a complete study on the operations and financial history of the Company, as well as showing on a pro forma basis how the loan will be serviced and the debt eventually retired.

The funds in no way go through the hands of the investment banker. All negotiations are between the borrower and lender. Thus, the investment banker as the borrower's agent can truly work in the best interest of his client.

In 1962, we made private placements in several industrial fields including electronics, food, and concrete products. Although in most cases the long-term debt was unsecured, in one situation the notes placed were first mortgage bonds. One situation included a placement of equity along with the long-term debt. Uses for the new capital included strengthening of working capital, refunding of short- and long-term debt, new facilities, and the cash purchase of another company.

Imaginative Placements

Some imaginative financing is now being done by private placements. One firm has established a reputation for financing bank properties. The bank's land and buildings are sold to a wholly-owned subsidiary. This subsidiary in turn sells long-term notes to institutions, the security being the property itself, plus the long-term lease the bank has with the subsidiary. The same sort of formula has been used by oil companies, for financing service stations.

III
Public Financing

Although the private placement field is an excellent source of new capital for companies, it does not provide an estate value for the principals of the company, or give the principals diversity of their investments. Also a company may have reached saturation point with its debt and a substantial increase in equity through a public offering may be the only answer. I will briefly cover this field since separate material is available on public financing.

Small Equity Offerings

Several types of equity financing are common, including intrastate exemption, best-efforts offerings, "A" Filings, and full S-1 Registrations. Most investment banking houses will not handle best-efforts issues or intrastate issues. A best-efforts issue is one in which the investment banker does not guarantee purchase of the issue, but only agrees to exert his best efforts to sell the stock. In other words, there is no guarantee to the Company that all the stock will be sold to the public. Most underwriters will not handle issues under the intrastate exemption because of constantly increasing legal problems. Although an intrastate offering may make sense at the time to the Company and its counsel, we do not feel that it will benefit the Company in the long run. The Company may be incurring many problems for the future, which would complicate a larger public offering at that time.

An "A" Filing is an exemption from full registration and involves the filing of an offering circular with the regional office of the SEC. It is limited to $300,000, the amount based on the offering price of the securities to be sold. Many investment houses will not handle such a small issue. In certain limited situations we have done "A" Filings in conjunction with private debt financing, or where we believe the company is outstanding and will do very well in the long run. Basically, however, we do not feel the results from an "A" Filing are very satisfactory; $300,000 worth of stock does not provide enough stock for an adequate trading market. The minimum necessary for a decent trading market, we feel, is a million dollars, or say, 100,000 shares at $10 a share, and of course, we much prefer a larger issue.

Requirements for Public Offering

A thorough investigation is needed by the investment banker before he is willing to commit himself and his capital. To qualify for a public offering in today's Over-the-Counter market, which is still weak and lethargic, we would want a company with a good 5-year record and earnings after-taxes in its latest year of at least $200,000 to $300,000. We must understand the industry in which the Company is engaged, the Company's position in its industry and its competitive position. A continuity of management is essential. We must know salaries, bonus plans, and employee benefits. Often changes are necessary before the public can be asked to invest in a company. Unless a company can be identified as a true growth company and, therefore, needs to retain all of its earnings, I believe more and more small- and medium-size companies may pay cash dividends to public stockholders. If a majority of the stock is owned by a few individuals in a high tax bracket, naturally such people do not want to receive cash dividends. The answer may be creating two classes of stock or having the principals waive rights to dividends for a period of time.

Our work is made much easier if audited statements with unqualified certificates are made available for the last several years. Unless audits have been regularly made, we cannot be confident of the financial results. This may be particularly important to the Company since the public offering price is often negotiated as a multiple of the audited earnings. The SEC will not accept for registration purposes audits with any qualification in the certificate, all of which points to the need for full audits for several years prior to a public issue.

Filing Costs

Costs of public equity financing in a full S-1 Registration will probably run a minimum of $35,000 to $50,000, in an "A" Filing perhaps a quarter of that. The principal costs are for accounting, legal fees, and printing costs. In addition, there is the difference between the price at which the stock is purchased by the underwriter and that at which it is resold to the public. This is the underwriter's spread. For issues amounting to $1 million to $3 or $4 million, the underwriter's spread may be 8% to 10%. From the spread the investment banking house normally pays all of its own expenses, such as its own legal fees, advertising, sales commissions, etc. The managing underwriter may form a syndicate of other investment houses so the stock can be sold nationally, particularly in those areas where the Company desires its stock to be distributed.

Post-Offering Services Provided

The services of the investment banker after the offering are often as important, or more important, than those rendered at the time of the initial offering. The investment banker and the company being publicly financed become partners from the day of the public financing. Other services provided by the investment banker include providing a market in the Company's stock, continuous research support for the Company so that the investing public, institutions, and other investment houses are informed factually and intelligently of the Company's progress, and advice on further financing. The investment banker may often request that a member of his firm or an outsider of his choice be placed on the Board of the company.

Convertible debentures, preferred stock, and convertible preferred stock may also be sold, but this is usually a secondary step in financing. Public bond financing is usually reserved for very large companies.

Investment bankers are also interested in blocks of stock. Depending upon the source of the stock, registration may or may not be necessary.

IV
Mergers and Acquisitions

The subject of mergers and acquisitions is a separate field, and I will only mention it briefly. Where the principals of the Company desire some liquidity of their private holdings, a merger is often more effective than a public offering of the Company's own stock. If a Company has done well, it may receive a better price from a merger or sellout than from a public offering. If a tax-free exchange is desirable, the principals of the Company may be able to receive a stock listed on the New York or some other stock exchange that represents greater liquidity than the stock of their own company, which might fluctuate greatly in the Over-the-Counter market. If a Company does not have sufficient personnel or money to exploit their market potential adequately, association with a larger company may be the answer. If a small company does not have sufficient research funds to keep abreast of its field, then again, an association with a large company may be the answer. These are a few of the reasons why a merger should be considered by many companies.

No Difficulty to Effect Consolidation

The investment banker has a job not only in finding the appropriate buyer or merger candidate for a company, but also presenting the company properly. This may involve a full study of the company's operation and financial picture. Once negotiations are begun, the investment banker must present imaginative ideas that will be satisfactory to the party he is representing and also digestable by the other side. Terms agreed upon may involve a straight cash payment, incentive payments, based upon the performance of the company, a tax-free exchange of common stock or voting convertible preferred, or a combination. Our Industrial Department spends a large part of its time on merger and acquisition possibilities.

*An address by Mr. Franklin before the East Bay Chapter of the California Society of Certified Public Accountants, San Francisco, Calif., July 16, 1963.

Singer, Bean Wire To Dallas Firm

Singer, Bean & Mackie, Inc., 40 Exchange Place, New York City, have announced the installation of a direct private wire to the Dallas, Texas, office of A. G. Edwards & Sons, members of the New York Stock Exchange.

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.

Airway Hotels, Inc.
April 1, 1963 filed 200,000 common. **Price**—$5. **Business**—Company owns and operates a chain of motor hotels, apartment buildings and a shopping center. **Proceeds**—For loan repayment, expansion and other corporate purposes. **Office** — 901 Fuhrmann Blvd., Buffalo, N. Y. **Underwriter**—None.

Allegheny Ventura Corp.
July 12, 1963 filed 37,231 outstanding common shares to be offered for subscription by stockholders of Allegheny Corp., parent, on the basis of one Ventura share for each 25 Allegheny shares held. **Price**—By amendment (max. $10). **Business**—Car rental. **Proceeds**—Allegheny will receive the proceeds and loan them to Ventura. **Address**—Washington National Airport, Washington, D. C. **Underwriter**—None.

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 Mortgage Insurance Co.
Jan. 10, 1963 filed 31,070 common to be offered for subscription by stockholders on the basis of one share for each five shares held. **Price**—$18. **Business**—A mortgage insurance company. **Proceeds**—For investments. **Office**—300 St. Salisbury St., Raleigh, N. C. **Underwriter**—None.

• **Atlantis International Corp. (8/26-30)**
April 30, 1963 filed 100,000 common. **Price**—$4. **Business**—A real estate development company. **Proceeds**—For debt repayment, property improvement, and working capital. **Office**—700 Park Ave., Plainfield, N. J. **Underwriter**—S. Schramm & Co., Inc., New York.

Atlas Management Co.
March 28, 1963 filed $1,500,000 of 6% conv. subord. debentures due 1978. **Price**—At par. **Business**—A holding company for two insurance subsidiaries. **Proceeds**—For loan repayment, investment, and advances to subsidiaries. **Office**—112 California Ave., Reno, Nev. **Underwriter**—None.

Bay State Exchange Fund, Inc.
May 29, 1963 filed 10,000 $1 par capital shares to be offered in exchange for certain acceptable securities on the basis of one share for each $25 of deposited securities. Exchange is believed by counsel for the Fund to be tax-free for Federal income tax purposes. **Business**—A closed-end investment company seeking long-term growth of capital and income. **Proceeds** — For investment. **Office**—35 Congress St., Boston. **Underwriter**—Kidder, Peabody & Co., New York. **Note**—The exchange will not be consummated unless $25,000,000 of securities are deposited and accepted. This means that the Fund expects to issue a minimum of 1,000,000 capital shares. **Offering**—Indefinite.

• **Bede Aircraft, Inc.**
July 16, 1963 filed 600,000 common. **Price**—By amendment (max. $3). **Business**—Company is engaged in the design and development of several airplanes, including a light sports plane. **Proceeds** — For debt repayment, product development, working capital and other corporate purposes. **Office** — 350 South Fountain Ave., Springfield, Ohio. **Underwriter**—Consolidated Securities Corp., Pompano Beach, Fla. **Offering**—In early Sept.

Beneficial Standard Life Insurance Co. of N. Y.
June 28, 1963 filed 200,000 common. **Price**—By amendment (max. $4). **Business**—Writing of life, accident and health insurance. **Proceeds**—For general corporate purposes. **Office**—122 East 42nd St., New York. **Underwriter**—None.

Bobbie Brooks, Inc. (8/19-23)
July 18, 1963 filed 201,150 capital shares. **Price** — By amendment (max. $28). **Business** — Manufacture of fashion apparel, primarily for girls and women. **Proceeds** — For selling stockholders. **Office** — 3830 Kelley Ave., Cleveland. **Underwriter**—Bache & Co., New York.

Bradford Speed Packaging & Development Corp.
July 22, 1963 filed 819,024 common to be offered to stockholders of Atlas General Industries, Inc., parent, on the basis of one Bradford share for each two Atlas shares held. **Price**—About $9.44 per share. **Business**—Company holds a 40% stock interest in Maryland Logging Corp., which conducts logging operations in Liberia and will acquire from Atlas, Kliklok Automated Packaging Division, engaged in the manufacture and leasing of packaging machinery. Bradford also owns 69,509 shares (9.59%) of Foster Wheeler Corp. **Proceeds**—For selling stockholder, Atlas General. **Office**—62 William St., New York. **Underwriter** — Burnham & Co., New York.

Burns (William J.) International Detective Agency, Inc. (8/12-16)
July 17, 1963 filed 150,000 class A common. **Price**—By amendment (max. $28). **Business** — Company furnishes protective services to industrial and commercial clients, princpally by means of uniformed guards. **Proceeds**—For selling stockholders. **Office**—235 E. 42nd St., New York. **Underwriter**—Smith, Barney & Co., Inc., New York.

Burroughs Corp.
June 28, 1963 filed 742,144 common being offered for subscription by stockholders on the basis of one new share for each nine held of record July 19. Rights will expire Aug. 5. **Price**—$23.75. **Business**—Production of a wide variety of business machines, business forms, and office accessories; also military products, primarily in the field of computation and control. **Proceeds**—For debt repayment. **Office**—6071 Second Ave., Detroit. **Underwriter**—Lehman Brothers, New York.

• **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., New York. **Offering**—Indefinite.

Castle Hospitality Services, Inc.
Dec. 14, 1962 filed $500,000 of 8% debentures due 1969. **Price**—At par ($1,000). **Business**—Company plans to offer management and consultant services to motels and furnish them with equipment. **Proceeds**—For general corporate purposes. **Office**—1068 S. Ocean Blvd., Pompano Beach, Fla. **Underwriter**—None.

• **Chemair Corp. (9/9-13)**
Dec. 28, 1962 filed $150,000 of 6% subordinated income debentures due 1973 and 30,000 common shares to be offered in units consisting of one $10 debenture and two common. **Price**—$12 per unit. **Business**—Production and sale of chemicals designed to control odors, bacterial growth and air pollutants; and development, production and sale of an electronic vaporizing unit for dispensing such chemicals. **Proceeds**—For debt repayment, equipment, sales promotion and working capital. **Office**—221 N. La Salle St., Chicago. **Underwriter**—Price Investing Co., New York. **Note**—This company formerly was named Chemair Electronics Corp.

Chestnut Hill Industries, Inc.
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**—$5. **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. **Offering**—Indefinite.

Citadel Life Insurance Co. of New York
March 26, 1963 filed 40,000 capital shares to be offered for subscription by stockholders on the basis of two new shares for each three held. **Price**—By amendment (max. $26). **Business**—Writing of life, accident, health and disability insurance, and annuities. **Proceeds**—For expansion. **Office**—444 Madison Ave., N. Y. **Underwriter**—Alex. Brown & Sons, Baltimore. **Offering**—Indefinite.

Coastal Chemical Corp.
June 26, 1963 filed 40,000 class A common; also 40,000 class D common to be offered by Mississippi Chemical Corp., parent. **Price**—For class A, $35; for class D, $30. **Business**—Manufacture of a variety of high analysis fertilizers, anhydrous ammonia, and other fertilizer materials and components. **Proceeds**—For working capital and other corporate purposes. **Address** — Yazoo City, Miss. **Underwriter**—None.

Coleridge Press Inc.
June 19, 1963 ("Reg. A") 50,000 common. **Price** — $5. **Business** — General book publishing. **Proceeds** — For working capital and purchase of equipment. **Office**—60 East 42nd St., New York. **Underwriter**—Hannibal Securities, Inc., New York. **Offering**—In late August.

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.

Commercial Life Insurance Co. of Missouri
Nov. 26, 1962 ("Reg. A") 46,000 common to be offered for subscription by stockholders on the basis of one share for each 3.36 common shares held. **Price**—At-the-market. **Business**—Sale of health, accident, life and hospital insurance. **Proceeds**—For working capital. **Office**—3570 Lindell Blvd., St. Louis. **Underwriter**—Edward D. Jones & Co., St. Louis. **Offering**—Indefinite.

Common Market Fund, Inc.
March 7, 1963 filed 2,000,000 capital shares. **Price**—Net asset value plus 8.5%. **Business**—A new mutual fund specializing in securities of foreign and American companies operating in the European Common Market. **Proceeds**—For investment. **Office**—9465 Wilshire Blvd., Beverly Hills, Calif. **Underwriter**—Kennedy, Cabot & Co. (same address). **Offering**—Indefinite.

Community Health Associations, Inc.
April 12, 1963 filed 150,000 common, of which 100,000 are to be offered by company and 50,000 by Harry E. Wilson, President. **Price**—$15. **Business**—Sale of hospital and surgical insurance contracts. **Proceeds**—For investment, sales promotion, and other corporate purposes. **Office**—4000 Aurora Ave., Seattle, Wash. **Underwriter**—None.

Continental Reserve Corp.
May 13, 1963 filed 45,000 class B common. **Price** — $40. **Business** — Company plans to acquire, organize, and manage life, accident and health insurance concerns. **Proceeds** — For investment in subsidiaries. **Office**—114 East 40th St., New York. **Underwriter**—None.

Defenders Insurance Co.
Jan. 30, 1963 filed 100,000 common. **Price**—$12.50. **Business** — Company plans to write automobile insurance. **Proceeds**—For general corporate purposes. **Office**—146 Old Country Rd., Mineola, N. Y. **Underwriter**—None.

Deuterium Corp.
Sept. 28, 1962 filed 120,000 common with attached warrants to purchase an additional 120,000 shares to be offered for subscription by holders of its stock and debentures in units (of one share and one warrant) on the basis of 3 units for each 5% prior preferred share held, one unit for each 5% preferred A stock held and 40 units for each $1,200 face amount of non-interest bearing subordinated debentures held. At the same time, the company will offer the securities to the public. **Price**—To subscribers, $20; to public, $22.25. **Business**—Company plans to erect a small size production and experimental plant for the limited manufacture of deuterium and deuterium oxide, and to establish and equip a general research laboratory. **Proceeds**—For working capital, construction, equipment and other corporate purposes. **Office**—360 Lexington Ave., N. Y. **Underwriter**—None.

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**—None.

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. **Note**—The SEC has issued a stop order suspending this registration statement.

Dri-Zit Corp.
May 29, 1963 ("Reg. A") 115,056 common. **Price**—$2.50. **Business**—Manufacturer of dri-zit (a home product used to absorb odors and moisture); a cleaner for oven and barbeque grills; and a diaper garment for infants. **Proceeds** — For expansion, inventory and debt repayment. **Office**—2 Ryland St., Reno, Nev. **Underwriter** — First Nevada Securities Corp., Reno, Nev.

Duval Corp.
June 18, 1963 filed $10,000,000 of 4⅝% of convertible subordinated debentures due Aug. 1, 1983 being offered for subscription by stockholders on the basis of one $100 debenture for each 13 shares held of record July 18. Rights will expire Aug. 9. **Price**—At par. **Business**—Mining, milling and marketing of copper, molybdenum, and potash and the mining and marketing of crude sulphur. **Proceeds**—For construction, and other corporate purposes. **Address** — 1906 First National City Bank Bldg., Houston, Tex. **Underwriter**—None.

Dynapower Systems Corp.
Sept. 28, 1962 filed 750,000 common. **Price**—$1 **Business**—Manufacture of electro-mechanical vehicles and

electronic devices for medical and marine purposes. **Proceeds**—For working capital, equipment and debt repayment. **Office**—2222 S. Centinela Ave., Los Angeles. **Underwriter**—None.

Eagle's Nest Mountain Estates, Inc.
June 26, 1963 filed $400,000 of 8% subord. conv. debs. due 1983; also 400,000 common, of which 300,000 are to be offered by the company and 100,000 by stockholders. The securities will be offered in units of one $100 debenture and 100 shares. **Price**—$350 per unit. **Business**—Company owns a 781 acre tract in Haywood County, N. C., on which it plans to build houses, a motor lodge, restaurant and an amusement complex. **Proceeds**—For construction, debt repayment, working capital and other corporate purposes. **Office**—2042 South Atlantic Ave., Daytona Beach, Fla. **Underwriter** — Alpha Investment Securities, Inc., Atlanta, Ga.

● **Eastern Investors, Inc. (8/12-16)**
June 4, 1963 filed 100,000 class A shares. **Price**—$4. **Business**—A small loan company. **Proceeds** — For expansion and working capital. **Office** — 147 Northeast Main St., Rocky Mount, N. C. **Underwriter**—Paul C. Kimball & Co., Chicago.

Eberstadt Income Fund, Inc.
May 31, 1963 filed 2,000,000 capital shares. **Price**—Net asset value plus 8½%. **Business**—A new mutual fund seeking current income. **Proceeds**—For investment. **Office**—65 Broadway, New York. **Distributor**—F. Eberstadt & Co., Managers & Distributors, Inc., New York.

Electro-Optical Systems, Inc. (8/19-23)
June 11, 1963 filed 403,000 common, of which 140,000 are to be offered by company and 263,000 shares by stockholders. **Price**—By amendment (max. $10). **Business**—Design and manufacture of optical systems for the Defense Department and for private industry. **Proceeds**—For debt repayment and working capital. **Office**—300 N. Halstead St., Pasadena, Calif. **Underwriters** — White, Weld & Co., Inc., and Kidder, Peabody & Co., Inc., N. Y.

Electronic Dispenser Corp.
Jan. 29, 1963, filed 50,000 common. **Price**—$2. **Business**—Manufacture of the SAFER Butter Chipping machine, and processing of tray-forming and chip-covering materials. **Proceeds**—For operating expenses, equipment, inventory and advertising. **Office**—118 E. 28th St. New York. **Underwriter**—L. D. Brown & Co., New York. **Offering**—Postponed.

● **Enzyme Corp. of America (8/12-16)**
Feb. 21, 1963, filed 120,000 common. **Price**—$2. **Business**—Company plans to market a new drug known as "Clinizyne" to be used for treatment of a variety of tumor related diseases. **Proceeds**—For equipment, sales promotion, research and development, and working capital. **Office**—727 Land Title Bldg., Philadelphia. **Underwriter**—Bristol Securities Inc., New York.

Equity Fundng 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**—To be named. **Offering**—Indefinite.

Farmers' Educational & Co-operative Union of America
April 1, 1963 filed $5,500,000 of 5½-6% serial debentures, series E and F, due 1974-83. **Price**—At par. **Business**—A non-profit organization of farmers devoted to the economic and educational betterment of its members. **Proceeds** — For debt repayment, working capital and advances to subsidiaries. **Office**—1575 Sherman St., Denver. **Underwriter**—None.

Fedco Corp.
Oct. 29, 1962 filed 20,000 common, of which 17,500 are to be offered by company and 2,500 by a shareholder. **Price**—By amendment (max. $15). **Business**—Design and manufacture of tools, dies, molds, beryllium castings and the distribution of plastic, metal and glass products for home use. **Proceeds**—For a recession offer to stockholders and reduction of accounts payable. **Office**—3600 W Pratt Ave., Chicago. **Underwriter**—None.

Federal Services Finance Corp.
July 1, 1963 filed 64,000 common to be offered for subscription by stockholders. **Price**—By amendment (max. $20). **Business**—A holding company whose subsidiaries are engaged in the sales finance business and the writing of marine and credit life insurance. **Proceeds**—For redemption of outstanding second preferred stock, working capital, and other corporate purposes. **Office**—1701 Pennsylvania Ave., N. W., Washington, D. C. **Underwriter**—Mackall & Coe, Washington, D. C.

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.

First American Israel Mutual Fund
Aug. 15, 1962 filed 2,750,000 shares of beneficial interest. **Price**—$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. **Offering**—Indefinitely Postponed.

Florida Jai Alai, Inc.
June 28, 1962 filed 300,000 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**—Consolidated Securities Corp., Pompano Beach, Fla. **Offering**—Indefinite.

● **French Market Shopping Center, Inc. (8/26-30)**
June 24, 1963 ("Reg. A") $300,000 of 6% subordinated debentures due Aug. 1, 1978, and 30,000 common to be offered in units of one $500 debenture and 50 common. **Price**—$500 per unit. **Business**—Operation of a discount type department store in the Greater Kansas City area. **Proceeds**—For working capital, and other corporate purposes. **Address** — 95th & Metcalf Sts., Overland Park, Kansas. **Underwriter** — Midland Securities Co., Inc., Kansas City, Mo.

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**—Postponed.

Global Construction Devices, Inc. (8/15)
June 29, 1962 filed 225,000 class A. **Price**—$3.25 **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. **Underwriter**—Charles Plohn & Co., New York.

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 Pl., Baltimore. **Underwriter**—To be named. **Note**—This firm formerly was known as Continental Real Estate Investment Trust.

Greater Miami Industrial Park, Inc.
Feb. 25, 1963, filed 136,094 common to be offered for subscription by stockholders on the basis of one share for each 4½ shares held. **Price**—$5.50. **Business**—Acquisition and development of real estate. **Proceeds** — For general corporate purposes. **Office**—811 duPont Plaza Center, Miami, Fla. **Underwriter**—None.

Greater Nebraska Corp.
Feb. 20, 1963, filed 3,000,000 common. **Price**—$2. **Business**—Company plans to operate subsidiaries in the fields of banking, insurance, finance, etc. **Proceeds**—For general corporate purposes. **Office**—1107 Federal Securities Building, Lincoln, Neb. **Underwriter**—None.

Hardee's Food Systems, Inc.
June 21, 1963 ("Reg. A") $150,000 of 6½% subordinated convertible debentures due July 1, 1973; also 37,500 common. **Price**—For debentures, $10; for common, $4. **Business** — Operation of self-service, drive-in restaurants. **Proceeds**—For expansion, and working capital. **Office**—1901 Sunset Ave., Rocky Mount, N. C. **Underwriters**—

Continued on page 28

NEW ISSUE CALENDAR

August 1 (Thursday)
Tokio Marine & Fire Insurance Co., Ltd.___A. D. S.
(First Boston Corp.; Nikko Securities Co. Ltd.; and Shelby Cullom Davis & Co.) 400,000 shares

August 5 (Monday)
Investors Trading Co.________Capital Shares
(Nemrava & Co.) 200,000 shares
Top Dollar Stores, Inc.________Common
(Van Alstyne, Noel & Co.) $1,200,000

August 6 (Tuesday)
Indiana & Michigan Electric Co.________Bonds
(Bids 11 a.m. EDST) $45,000,000
Scheib (Earl), Inc.________Common
(Shearson, Hammill & Co.) 200,000 shares
United Aircraft Corp.________Debentures
(Offering to stockholders—underwritten by Harriman Ripley & Co., Inc.) $42,884,000

August 7 (Wednesday)
Carolina Freight Carriers Corp.________Common
(The Ohio Co.) 100,000 shares
Minneapolis-Honeywell Regulator Co.____Debens.
(Eastman Dillon, Union Securities & Co.) $30,000,000

August 8 (Thursday)
Gulf, Mobile & Ohio RR.______Equip. Trust Ctfs.
(Bids 12 noon CDST) $3,900,000
Independent Shoe Discounters Association, Inc.________Common
(Parker, Bishop & Hart, Inc.) $325,000

August 12 (Monday)
Burns (Wm. J.) Int'l Detective Agency Inc.___Cl. A
(Smith, Barney & Co., Inc.) 150,000 shares
Eastern Investors, Inc.________Class A
(Paul C. Kimball & Co.) $400,000
Enzyme Corp. of America________Common
(Bristol Securities Inc.) $240,000
Juniper Spur Ranch, Inc.________Common
(V. E. Anderson & Co.) $300,000
Lord Jim's Service Systems, Inc.________Common
(Keon & Co.) $100,000
Rollins Broadcasting, Inc.________Common
(New York Securities Co.) 166,376 shares

August 13 (Tuesday)
Atlantic Coast Line RR.______Equip. Trust Ctfs.
(Bids 12 noon EDST) $4,575,000

August 14 (Wednesday)
Commercial Credit Co.________Notes
(Kidder, Peabody & Co., Inc. and First Boston Corp.) $50,000,000

August 15 (Thursday)
Global Construction Devices, Inc.________Class A
(Charles Plohn & Co.) $731,250
Roadcraft Manufacturing & Leasing Corp.___Com.
(Ruffner, Jackson & Gr.., Inc. and Morgan & Co.) $1,200,000

August 19 (Monday)
Bobbie Brooks, Inc.________Capital Stock
(Bache & Co.) 201,150 shares
Electro-Optical Systems, Inc.________Common
(White, Weld & Co., Inc., and Kidder, Peabody & Co., Inc.) 403,000 shares
Heck's, Inc.________Common
(Charles Plohn & Co.) $450,000
Mohawk Rubber Co.________Debentures
(Kidder, Peabody & Co., Inc.) $4,000,000
Natural Gas & Oil Producing Co.________Common
(Peter Morgan & Co.) $900,000
Warwick Fund________Units
(Wellington Co., Inc.) 300,000 units

August 20 (Tuesday)
Resort Corp. of Missouri________Units
(R. L. Warren Co.) $1,000,000

August 26 (Monday)
Atlantis International Corp.________Common
French Market Shopping Center, Inc.________Units
(Midland Securities Co., Inc.) $300,000
Handleman Co.________Common
(E. F. Hutton & Co., Inc., and Baker, Simonds & Co., Inc.) 330,000 shares
Tourist Industry Development Corp., Ltd.___Debens.
(American-Israel Basic Economy Corp.) $5,000,000

August 27 (Tuesday)
Dorchester Gas Producing Co.________Debentures
(A. C. Allyn & Co.; Allen & Co.; Metropolitan Dallas Corp.) $3,500,000
Lewis Business Forms, Inc.________Debentures
(Reynolds & Co., Inc. and Saunders, Stiver & Co.) $1,250,000
Lone Star Gas Co.________Debentures
(Bids 11 a.m. EDST) $35,000,000
New England Telephone & Telegraph Co.___Com.
(Offering to stockholders—no underwriting) 2,099,858 shares

September 3 (Tuesday)
National Fence Manufacturing Co., Inc.___Common
(Netherlands Securities Co., Inc.) $875,000

September 4 (Wednesday)
Southern Pacific Co.______Equip. Trust Ctfs.
(Bids 12 noon EDST) $7,500,000

September 5 (Thursday)
Iowa Public Service Co.________Bonds
(Bids 11 a.m. EDST) $12,000,000

September 9 (Monday)
Chemair Corp.________Units
(Price Investing Co.) $180,000
Norfolk & Western RR.______Equip. Trust Ctfs.
(Bids 12 noon EDST) $6,900,000

September 11 (Wednesday)
N. Y., Chicago & St. Louis RR.___Equip. Tr. Ctfs.
(Bids 12 noon EDST) $6,540,000

September 18 (Wednesday)
Northern States Power Co. (Minn.)________Bonds
(Bids 11 a.m. EDST) $15,000,000

September 19 (Thursday)
Atlas Finance Co., Inc.________Preferred
(Marshall Co. and McCormick & Co.) 37,500 shares

October 1 (Tuesday)
Chicago Burlington & Quincy RR.___Equip. Tr. Ctfs.
(Bids 12 noon CDST) $5,000,000
Jersey Central Power & Light Co.________Bonds
(Bids 11 a.m. EDST) $18,525,000

October 3 (Thursday)
Columbia Gas System, Inc.________Debentures
(Bids to be received) $25,000,000

October 8 (Tuesday)
Wisconsin Public Service Corp.________Bonds
(Bids to be received) $15,000,000

October 15 (Tuesday)
Jersey Central Power & Light Co.______Debentures
(Bids 11 a.m. EDST) $9,000,000

October 16 (Wednesday)
Nevada Power Co.________Bonds
(Bids to be received) $11,000,000

October 22 (Tuesday)
Public Service Electric & Gas Co.______Debentures
(Bids 11 a.m. EDST) $40,000,000

November 7 (Thursday)
Georgia Power Co.________Bonds
(Bids to be received) $30,000,000
Georgia Power Co.________Preferred
(Bids to be received) $7,000,000

November 19 (Tuesday)
New England Power Co.________Bonds
(Bids to be received) $10,000,000
New England Power Co.________Preferred
(Bids to be received) $10,000,000

December 10 (Tuesday)
Northern Pacific Ry.______Equip. Trust Ctfs.
(Bids 12 noon EST) $4,800,000
Virginia Electric & Power Co.________Bonds
(Bids to be received) $30,000,000

Continued from page 27

Powell, Kistler & Co., Fayettville, N. C.; Allied Securities Corp., Greensboro, N. C.; McCarley & Co., Inc., Ashville, N. C.; Strader & Co., Inc., Lynchburg, Va.; Willis, Kenny & Ayres, Inc., Richmond, Va.; and Clark, Landstreet & Kirkpatrick, Inc., Nashville, Tenn. **Offering**—Imminent.

● **Heck's, Inc. (8/19-23)**
June 12, 1963 refiled 180,000 class A common. **Price**—$2.50. **Business**—Operation of discount stores. **Proceeds**—To provide fixtures and inventory for a new store, and for working capital. **Office**—6400 MacCorkle Ave., S. W., St Albans, W. Va. **Underwriter**—Charles Plohn & Co., New York.

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.

Holiday Mobile Home Resorts, Inc.
March 27, 1963 filed $1,250,000 of 6½% conv. subord. debentures due 1978, and 75,000 common to be offered in units consisting of $50 of debentures and 3 shares. **Price**—$68 per unit. **Business**—Development and operation of mobile home resorts throughout U. S. **Proceeds**—For debt repayment, construction, and other corporate purposes. **Office** — 4344 East Indian School Rd., Phoenix. **Underwriters**—Boettcher & Co., Denver, and J. R. Williston & Beane, New York. **Note**—This registration will be withdrawn.

Homestead Packers, Inc.
March 13, 1963 filed 5,000 shares of 6% non-cumulative preferred stock, and 5,000 common, to be offered for sale in units of one common and one preferred share. **Price**—$150 per unit. **Business**—Company plans to construct and operate a beef and pork packing plant. **Proceeds**—For construction, equipment, and working capital. **Address**—Beatrice, Nebr. **Underwriter**—None.

Horace Mann Life Insurance Co.
Feb. 1, 1963 filed 200,000 common, of which 80,000 are to be offered by company and 120,000 by stockholders. **Price** — $12.50. **Business**—Writing of life, accident and health insurance. **Proceeds**—For general corporate purposes. **Office**—216 E. Monroe St., Springfield, Ill. **Underwriter**—Horace Mann Investors Inc., (same address).

● **Independent Shoe Discounters Association, Inc. (8/8)**
May 8, 1963 filed 325,000 common. **Price**—$1. **Business**—Company plans to distribute shoes and related items to franchised discount shoe stores. **Proceeds**—For working capital. **Office**—519 West California Ave., Oklahoma City. **Underwriter**—Parker, Bishop & Welsh, Inc., Oklahoma City.

Indiana & Michigan Electric Co. (8/6)
June 14, 1963 filed $45,000,000 of first mortgage bonds due 1993. **Proceeds**—For loan repayment, and other corporate purposes. **Office**—2101 Spy Run Ave., Fort Wayne, Ind. **Underwriters** — (Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; Harriman Ripley & Co. Inc.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Smith Inc.-Blyth & Co.-Lehman Brothers-Salomon Brothers & Hutzler (jointly). **Bids**—Aug. 6 (11 a.m. EDST) at American Electric Power Service Corp., 2 Broadway, N. Y. **Information Meeting**—Aug. 1 (3 p.m. EDST), same address.

● **International Book Distributors, Inc.**
June 24, 1963 filed 66,500 common. **Price**—By amendment (max. $4.50). **Business**—Sale of encyclopedias, dictionaries, atlases, etc. **Proceeds**—For working capital and sales promotion. **Office**—6660 Biscayne Blvd., Miami, Fla. **Underwriter**—Roman & Johnson, Fort Lauderdale, Fla. **Offering**—Expected in early September.

Interstate Securities Co.
May 13, 1963 filed 173,433 common being offered for subscription by common stockholders on the basis of one new share for each four held of record July 22. Rights will expire Aug. 6. **Price**—$7. **Business**—Company is engaged in consumer and commercial financing; writing credit life, health and accident insurance, and automobile physical damage insurance. **Proceeds**—For loan repayment, advances to subsidiaries, and working capital. **Office**—3430 Broadway, Kansas City, Mo. **Underwriter**—A. G. Becker & Co., Inc., Chicago.

Investors Inter-Continental Fund, Inc.
July 3, 1963 filed 3,000,000 capital shares. **Price**—Net asset value plus 7½%. **Business**—A new mutual fund which will succeed to business of Investors Group Canadian Fund Ltd., and invest in securities throughout the Free World. **Proceeds**—For investment. **Address**—1000 Roanoke Bldg., Minneapolis. **Distributor**—Investors Diversified Services, Inc. (same address).

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.

Investors Trading Co. (8/5-9)
Jan. 17, 1963 filed 200,000 capital shares. **Price** — Net asset value (max. $5), plus 8% sales charge. **Business**—A mutual fund. **Proceeds**—For investment. **Office**—460 Denver Club Building, Denver. **Distributor**—Nemrava & Co. (same address).

● **Iowa Public Service Co. (9/5)**
July 19, 1963 filed $12,000,000 of first mortgage bonds due 1993. **Proceeds**—For loan repayment and other corporate purposes. **Address** — Orpheum - Electric Bldg., Sioux City, Iowa. **Underwriters**—(Competitive). Probable bidders: Kidder, Peabody & Co.-Blyth & Co., Inc. (jointly); Eastman Dillon, Union Securities & Co.; Equitable Securities Corp.; White, Weld & Co.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Smith Inc. **Bids**—Sept. 5 (11 a.m. EDST) at 20 Pine St. (10th floor), New York. **Information Meeting**—Aug. 28 (3:30 p.m. EDST) same address.

Israel American Diversified Fund, Inc.
April 22, 1963 filed 550,000 common. **Price**—Net asset value plus 8½%. **Business**—A new mutual fund specializing in Israeli and American securities. **Proceeds**—For investment. **Office**—54 Wall St., New York. **Distributor**—Israel Fund Distributors, Inc. (same address).

Israel Fund, Inc.
July 18, 1963 filed 500,000 common. **Price**—$12.50. **Business**—A closed-end investment company which plans to invest in Israeli firms. **Proceeds**—For investment. **Office**—4200 Hayward Ave., Baltimore. **Underwriter**—Investors Planning Corp. of America, New York.

"Isras" Israel-Rassco Investment Co., Ltd.
June 28, 1963 filed 60,000 ordinary shares. **Price**—$55. **Business** — A real estate development company which also owns citrus plantations. **Proceeds**—For general corporate purposes. **Address**—Tel-Aviv, Israel. **Underwriter**—Rassco of Delaware Inc., New York.

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., New York. **Offering** — Indefinitely postponed.

Janus Fund, Inc.
April 10, 1963 filed 500,000 capital shares. **Price** — Net asset value plus 8½%. **Business**—A new mutual fund seeking capital appreciation. **Proceeds**—For investment. **Office**—467 Hamilton Ave., Palo Alto, Calif. **Underwriter**—Mutual Fund Distributors, Inc. (same address).

Juniper Spur Ranch, Inc. (8/12-16)
May 27, 1963 ("Reg. A") 300,000 common. **Price** — $1. **Business**—Construction of a gasoline and diesel oil filling station, a restaurant and allied facilities. **Proceeds**—For general corporate purposes. **Underwriter** — V. E. Anderson & Co., Newhouse Bldg., Salt Lake City.

Kelly & Cohen, Inc.
May 17, 1963 ("Reg. A") 90,000 common. **Price**—$2.75. **Business**—Retail sale of major household appliances at discount prices. **Proceeds**—For working capital, expansion and debt repayment. **Office** — 3772 William Penn Highway, Monroeville, Pa. **Underwriter** — Amsbary, Allen & Morton, Inc., Pittsburgh. **Offering**—Imminent.

Key Finance Corp.
June 7, 1963 filed 80,000 common. **Price**—By amendment (max. $5). **Business**—Operation of a small loan business in Puerto Rico. **Proceeds**—For loan repayment, expansion and other corporate purposes. **Address**—Rio Piedras, Puerto Rico. **Underwriters** — Morris Cohon & Co., and Street & Co., Inc., New York. **Offering**—Indefinite.

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** — $800 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. **Underwriter**—John A. Dawson & Co., Chicago. **Offering**—Indefinite.

Krasnow Industries, Inc.
June 28, 1963 filed 125,000 common. **Price**—By amendment (max. $5). **Business**—Volume manufacture of inexpensively priced men's and children's belts. **Proceeds**—For debt repayment, sales promotion, and other corporate purposes. **Office**—33-00 Northern Blvd., Long Island City, N. Y. **Underwriter**—T. W. Lewis & Co., Inc., New York.

● **Lewis Business Forms, Inc. (8/27)**
July 22, 1963 filed $1,250,000 of convertible subordinated debentures due 1973. **Price**—By amendment. **Business** — Manufacture of a diversified line of business forms. **Proceeds**—For plant expansion, loan repayment and working capital. **Office**—243 Lane Ave., North, Jacksonville, Fla. **Underwriters**—Reynolds & Co., Inc., New York, and Saunders, Stiver & Co., Cleveland.

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. **Offering**—Indefinite.

● **Lord Jim's Service Systems, Inc. (8/12-16)**
Jan. 14, 1963 ("Reg. A") 100,000 common. **Price** — $1. **Business**—Operation of drive-in restaurants. **Proceeds**—For leases, equipment and working capital. **Office**—1601 Mandeville Canyon Rd., Los Angeles. **Underwriter**—Keon & Co., Los Angeles.

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., New York. **Underwriter** — Ingram, Lambert & Stephen, Inc., 50 Broad St., New York. **Offering**—Indefinite.

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.

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.

Medic Corp.
Feb. 28, 1963, filed 1,000,000 class B common. **Price**—$1.25. **Business**—A holding company for three life insurance firms. **Proceeds**—For loan repayment, operating expenses, and investment in other insurance concerns. **Address**—714 Medical Arts Bldg., Oklahoma City. **Underwriter**—Lincoln Securities Corp. (same address).

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** — $1. **Business** — Manufacture of medical electronic equipment. **Proceeds** — For general corporate purposes. **Office**—Studio City, Calif. **Underwriter** — Financial Equity Corp., Los Angeles.

Meridian Fund, Inc.
March 4, 1963 filed 500,000 capital shares. **Price**—Net asset value plus 5%. **Business**—A new mutual fund to be offered initially to members of the medical profession. **Proceeds**—For investment. **Office** — 714 Boston Bldg., Denver. **Underwriter**—Centennial Management & Research Corp., (same address).

Middlesex Water Co.
June 5, 1963 filed 35,000 common. **Price**—By amendment (max. $36). **Business**—Collecting and distributing water in certain areas of New Jersey. **Proceeds** — For debt repayment. **Office**—52 Main St., Woodbridge, N. J. **Underwriter**—Kidder, Peabody & Co., Inc., New York. **Offering**—Indefinitely postponed.

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.

Minneapolis-Honeywell Regulator Co. (8/7)
July 16, filed $30,000,000 s. f. debentures due 1988. **Price**—By amendment. **Business**—Manufacture of automatic control instruments, and electronic data processing systems. **Proceeds**—For loan repayment and working capital. **Office**—2747 Fourth Ave., South Minneapolis. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

Mitsui & Co., Ltd.
July 9, 1963 filed 10,000,000 common (represented by 500,000 A. D. S.) to be offered for subscription by stockholders on the basis of one new share for each two held of record July 20. **Price**—$2.78 per A. D. S. **Business**—Domestic and foreign trading in a broad range of goods and commodities. **Proceeds**—For expansion of trading activities, and new investments. **Address**—Tokyo, Japan. **Underwriter**—None.

Mobile Home Parks Development Corp.
Jan. 28, 1963 filed 1,250,000 common. **Price**—$2.50. **Business**—Company plans to develop mobile home parks and residential and commercial real estate. **Proceeds**—For general corporate purposes. **Office**—82 Baker St., Atlanta. **Underwriter**—Overseas Investment Service, Seville, Spain.

Mohawk Rubber Co. (8/19-23)
July 19, 1963 filed $4,000,000 of convertible subordinated debentures due 1983. **Price** — By amendment. **Business**—Manufacture of tires for passenger cars, trucks, buses and earth moving equipment. **Proceeds**—For loan repayment, working capital and other corporate purposes. **Office**—1235 Second Ave., Akron, Ohio. **Underwriter**—Kidder, Peabody & Co., Inc., New York.

Morton (B. C.) Realty Trust
June 21, 1963 filed 1,000,000 shares of beneficial interest. **Price**—$10. **Business**—A real estate investment trust. **Proceeds**—For investment. **Office**—141 Milk St., Boston. **Underwriter**—B. C. Morton Funds Underwriters Co., Inc. (same address)

Municipal Investment Trust Fund, Series B
April 28, 1961 filed $15,000,000 (15,000 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. **Offering**—Indefinite.

● **Mutual Finance Co.**
June 10, 1963 ("Reg. A") $300,000 of 6% convertible subordinated debentures, series D, due July 1, 1978. **Price**—At par. **Business**—Engaged in various activities in the loan and discount fields. **Proceeds**—For working capital and other corporate purposes. **Office** — Wallace Bldg., Tampa. **Underwriter** — Donald V. Stabell, St. Petersburg, Fla. **Offering**—Imminent.

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 ex-

pansion and working capital. **Address** — Portage, Pa. **Underwriter**—Cortlandt Investing Corp., N. Y. **Note**—This registration will be withdrawn.

● National Fence Manufacturing Co., Inc. (9/3-6)
Nov. 29, 1962 filed 100,000 common. **Price**—$8.75. **Business** — Manufacture of galvanized chain link fence welded concrete reinforcing fabric, gates and related products. **Proceeds**—For construction of a plant in Ireland, and working capital. **Office**—4301 46th St., Bladensburg, Md. **Underwriter**—Netherlands Securities Co., Inc., New York.

National Memorial Estates
Oct. 11, 1962 filed 4,750,000 common. **Price** — $1. **Business** — Company plans to engage in cemetery development and to establish and operate a life and disability insurance concern. **Proceeds**—For general corporate purposes. **Office**—13 S. Broadway, Red Lodge, Mont. **Underwriter**—Security Brokerage Co., Billings, Mont.

National Mortgage Corp., Inc.
Dec. 28, 1962 refiled $8,000,000 face amount certificates (series 20) and 300,000 common shares. **Price**—For certificates, $762; for stock, $1.15. **Business**—A mortgage loan company. **Proceeds** — For general corporate purposes. **Office** — 113 S. Hydraulic, Wichita, Kan. **Underwriter**—National Mortgage Agency, Inc., (same address). **Note**—This offering will be made only in the State of Kansas.

Natural Gas & Oil Producing Co. (8/19-23)
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.

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**—50 cents. **Business**—Exploration, development and mining. **Proceeds**—General corporate purposes. **Office**—90 Industry St., Toronto, Canada. **Underwriter**—A. C. McPherson & Co., Toronto.

New World Fund, Inc.
Feb. 21, 1963, filed 250,000 common. **Price**—Net asset value plus 8½%. **Business**—A new mutual fund. **Proceeds**—For investment. **Office**—4680 Wilshire Blvd., Los Angeles. **Underwriter** — New World Distributing Co. (same address).

Northern States Life Insurance Corp.
March 26, 1963 filed 280,000 common to be offered for subscription by stockholders on the basis of one new share for each 1½ held. **Price**—By amendment (max. $2.50). **Business**—Writing of general life insurance. **Proceeds**—For expansion. **Office**—1840 North Farwell Ave., Milwaukee. **Underwriter**—None.

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. **Note**—This registration will be withdrawn.

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.

PMA Insurance Fund Inc.
April 8, 1963 filed 200,000 common. **Price** — Net asset value plus 4%. **Business**—A new mutual fund specializing in insurance stocks. **Proceeds**—For investment. **Address** — Plankington Bldg., Milwaukee. **Underwriter**—Fund Management Inc. (same address).

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.

Pension Securities Fund, Inc.
April 24, 1963 filed 500,000 common. **Price**—$100 initially; thereafter, at net asset value. **Business**—A new mutual fund designed to provide an investment program for pension trusts. **Proceeds**—For investment. **Address**—20 Broad St., New York. **Underwriter**—None. **Adviser**—Smith, Barney & Co., New York. **Offering**—Indefinite.

Philippine Oil Development Co., Inc.
June 11, 1963 filed 325,000,000 capital shares to be offered for subscription by U. S. resident stockholders on the basis of one new share for each two held. **Price**—By amendment (max. 1 cent). **Business**—Exploration for oil and gas in the Philippines. **Proceeds**—For debt repayment, and operating expenses. **Address** — Manila, The Philippines. **Underwriter**—None.

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.

Powell Petroleum, Inc.
Sept. 28, 1962 filed 100,000 common. **Price**—$5. **Proceeds**—to drill for and operate oil wells. **Office**—418 Market St., Shreveport, La. **Underwriter**—None.

Power Cam Corp.
Jan. 28, 1963, filed 200,000 capital shares. **Price**—$4.75. **Business**—Company plans to manufacture a new type of brake unit for heavy duty automotive vehicles. **Proceeds**—For equipment, and working capital. **Office** — 2604 Leith St., Flint, Mich. **Underwriter**—Farrell Securities Co., New York.

Princeton Research Lands, Inc.
March 28, 1963 filed 40,000 common. **Price**—$25. **Business**—Purchase and sale of real property, chiefly unimproved land. **Proceeds**—For debt repayment, and acquisition of additional properties. **Office**—195 Nassau St., Princeton, N. J. **Underwriter**—None.

Professional Men's Association, Inc.
Jan. 8, 1963 filed 40,000 common. **Price**—$5. **Business**—Company specializes in financial consulting, and servicing patients' accounts of member hospitals, physicians and dentists. **Proceeds**—For debt repayment and working capital. **Address**—100 W. Tenth St., Wilmington, Del. **Underwriter**—None.

Provident Stock Fund, Inc.
April 11, 1963 filed 1,000,000 common. **Price**—Net asset value plus 8½%. **Business**—A new mutual fund. **Proceeds**—For investment. **Office**—316 North Fifth St., Bismarck, N. D. **Underwriter** — Provident Management Co. (same address).

Recording Industries Corp.
July 19, 1963 filed 297,000 common. **Price**—$5. **Business**—Company plans to engage in the recording and manufacture of phonograph records, and the publishing of sheet music. **Proceeds**—For construction of offices, working capital, and other corporate purposes. **Office**—801 Sixteenth Ave., South Nashville, Tenn. **Underwriter**—Tennessee Securities Inc., Nashville.

Recreation Industries, Inc.
Nov. 23, 1962 ("Reg. A") 75,000 common. **Price** — $2. **Business**—Sale of travel and entertainment. **Proceeds**—For capital investment, and working capital. **Office**—411 West 7th St., Los Angeles. **Underwriter**—Costello, Russotto & Co., Beverly Hills, Calif. **Offering**—Indefinite.

Resort Corp. of Missouri (8/20)
Nov. 27, 1962 filed 125,000 class A common and three-year warrants to purchase 1,250 class A shares to be offered in units consisting of four shares and one warrant. **Price** — $32 per unit. **Business** — Company will erect and operate a luxury hotel and resort facilities, and sell 80 acres of land for home sites. **Proceeds**—For construction. **Office**—3615 Olive St., St. Louis. **Underwriter**—R. L. Warren Co.. St. Louis.

Retirement Foundation, Inc.
April 8, 1963 filed 100,000 memberships in the Foundation. **Price**—$10 per membership. **Business** — Company will operate retirement centers for the use of rent-free private homes and apartments by members upon their retirement. **Proceeds**—For working capital, construction and other corporate purposes. **Office**—235 Lockerman St., Dover, Del. **Underwriter**—John D. Ferguson, Dover, Del. **Offering**—Indefinite.

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.

● Roadcraft Manufacturing & Leasing Corp. (8/15)
June 24, 1963 filed 100,000 common. **Price**—$12. **Business**—Manufacture of mobile homes and office trailers and the leasing of mobile office trailers. **Proceeds** — For working capital, inventory, sales promotion, and expansion. **Office**—139 W. Walnut Ave., Gardena, Calif. **Underwriters**—Rutner, Jackson & Gray, Inc., and Morgan & Co., Los Angeles.

Rollins Broadcasting, Inc. (8/12-16)
July 15, 1963 filed 166,376 common. **Price**—By amendment (max. $20). **Business**—Company and subsidiaries own seven AM radio stations, three VHF television stations and an outdoor advertising company. **Proceeds**—For selling stockholders. **Office**—414 French St., Wilmington, Del. **Underwriter**—New York Securities Co., 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. **Note**—This registration will be withdrawn.

Russell Mills, Inc.
Sept. 28, 1962 filed 312,500 common. **Price**—By amendment (max. $12). **Business**—Manufacture of athletic clothing, knitted underwear, children's sleepwear and cotton cloth. **Proceeds**—For bond retirement and plant expansion. **Address**—Alexander City, Ala. **Underwriter**—Hornblower & Weeks, N. Y. **Note** — This company formerly was called Russell Manufacturing Co. **Offering**—Indefinite.

● Scheib (Earl), Inc. (8/6)
June 28, 1963 filed 200,000 common. **Price**—By amendment (max. $12). **Business**—Company operates (through wholly-owned subsidiaries) a national chain of automobile paint shops. **Proceeds**—For selling stockholder, E. A. Scheib, President. **Office**—8737 Wilshire Blvd., Beverly Hills, Calif. **Underwriter**—Shearson, Hammill & Co., New York.

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.

Shaker Properties
Oct. 19, 1962 filed 215,000 shares of beneficial interest. **Price**—$15. **Business** — A real estate investment trust. **Proceeds**—For investment and working capital. **Office**—1956 Union Commerce Bldg., Cleveland, Ohio. **Underwriter** — McDonald & Co., Cleveland. **Offering** — Indefinite.

Squire For Men, Inc.
July 9, 1963 ("Reg. A") $135,000 of 8% convertible debentures due 1969. **Price** — At par ($100). **Business**—Manufacture and sale of custom hair pieces. **Proceeds**—For new products and working capital. **Office**—328 S. Beverly Dr., Beverly Hills, Calif. **Underwriter**—Samuel B. Franklin & Co., Los Angeles.

Stein Roe & Farnham Foreign Fund, Inc.
July 1, 1963 filed 1,000,000 capital shares. **Price**—Net asset value. **Business**—Company was recently formed and will succeed to New York Capital Fund, Ltd., a Canadian corporation. It will provide investors a means of investing in Canada, Western Europe and other foreign areas. **Proceeds**—For investment. **Office**—135 S. LaSalle St., Chicago. **Underwriter**—None.

Sutro Mortgage Investment Trust
Feb. 1, 1963 filed 30,000 shares of beneficial interest. **Price**—$100. **Business** — A real estate investment trust. **Proceeds**—For investment. **Office**—4900 Wilshire Blvd., Los Angeles. **Underwriter**—None.

Teaching Machines, Inc.
April 1, 1963 filed 150,000 common. **Price**—$5 **Business**—Company develops and sells teaching machines exclusively for Grolier Inc. **Proceeds**—For loan repayment and other corporate purposes. **Office**—221 San Pedro, N. E. Albuquerque. **Underwriter**—S. D. Fuller & Co., New York. **Offering**—Expected in late August.

Tecumseh Investment Co., Inc.
Jan. 21, 1963 filed 48,500 common. **Price**—$100. **Business**—A holding company which plans to organize a life insurance company. **Proceeds**—For investment in U. S. Government Bonds and in new subsidiary. **Office**—801 Lafayette Life Bldg., Lafayette, Ind. **Underwriter**—Amosand Inc. (same address).

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**—To be named. **Offering**—Indefinite.

● Tokio Marine & Fire Insurance Co., Ltd. (8/1)
June 28, 1963 filed 400,000 American Depositary Shares. **Price**—By amendment (max. $25 per A. D. S.) **Business**—Writing of marine, fire and casualty and allied lines of insurance. **Proceeds**—For investment. **Address**—Tokyo, Japan. **Underwriters**—First Boston Corp., Nikko Securities Co., Ltd., and Shelby Cullom Davis & Co., N. Y.

Top Dollar Stores, Inc. (8/5-9)
May 1, 1962 filed 200,000 common, of which 100,000 are to be offered by company and 100,000 by stockholders. **Price**—$6. **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**—Van Alstyne, Noel & Co., New York.

● Tourist Industry Development Corp., Ltd. (8/26)
March 29, 1963 filed $5,000,000 of 7% senior debentures due 1983. **Price**—At par. **Business**—Financing of tourist enterprises in Israel. **Proceeds** — For general corporate purposes. **Address** — Jerusalem, Israel. **Underwriter**—American-Israel Basic Economy Corp., New York.

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.

United Aircraft Corp. (8/6)
July 10, 1963 filed $42,884,000 subord. debentures due Aug. 15, 1988 to be offered for subscription by stockholders on the basis of $100 of debentures for each 15 common shares held of record Aug. 5. Rights will expire Aug. 20. **Business**—Manufacture of aeronautical engines, propellers and aircraft. **Proceeds**—For loan repayment. **Office**—400 Main St., East Hartford, Conn. **Underwriter**—Harriman Ripley & Co., Inc., New York.

United Saran & Plastic Corp. Ltd.
Feb. 25, 1963, filed $330,000 of 7% convertible debentures due 1975 and 16,500 shares of 8% preferred ordinary "B" shares to be offered in units consisting of two $100 debentures and 10 shares. **Price** — $305 per unit. **Business** — Manufacture of light household and office furniture. **Proceeds** — For general corporate purposes. **Address**—Rehovoth, Israel. **Underwriter**—Brager & Co., New York. **Offering**—Indefinite.

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.

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,

Continued on page 30

Continued from page 29

leasehold expenses and other corporate purposes. **Office**—2300 Republic National Bank Bldg., Dallas. **Underwriter** — First Nebraska Securities Corp., Lincoln, Neb **Offering**—Temporarily postponed.

Valley Investors, Inc.

Jan. 23, 1963, filed 328,858 common. **Price**—$1. **Business**—A new mutual fund. **Proceeds**—For investment. **Address**—Sidney, Montana. **Underwriter**—To be named.

Warwick Fund (8/19-23)

June 17, 1963 filed 300,000 units of participation in the Fund to be offered in exchange for certain acceptable securities on the basis of one unit for each $100 of deposited securities. **Business** — A new exchange type mutual fund which plans to continue indefinitely to exchange its units for additional contributions of securities, and to seek long term growth of capital and income. **Office** — 3001 Philadelphia Pike, Claymont, Del. **Distributor**—Wellington Co., Inc., Philadelphia.

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. **Note**—This registration will be withdrawn.

Western Steel, Inc.

Jan. 17, 1963 ("Reg. A") 245,000 common. **Price** — $1 **Business**—Company plans to erect a mill to produce certain types of iron by the new "Taylor Process." **Proceeds**—For plant construction and general corporate purposes. **Address**—Suite 412-413 Hynds Bldg., Cheyenne, Wyo. **Underwriter**—C. B. Hoke Agency, Cheyenne, Wyo. **Note**—The SEC has issued an order temporarily suspending this issue.

Western Union International, Inc.

March 29, 1963 filed $4,000,000 of 6¼% subordinated debentures due 1983, and 400,000 common. **Price**—For debentures, at par; for stock $3.50. **Business**—Company will take over and operate Western Union Telegraph's international telegraph operations. **Proceeds**—For selling stockholder, Western Union Telegraph Co., parent. **Office**—60 Hudson St., New York. **Underwriters**—American Securities Corp., and Glore, Forgan & Co., New York. **Offering**—Indefinite.

William Penn Racing Association

March 8, 1963 filed $1,000,000 of 6½% sinking fund debentures due 1978 and 100,000 class A non-voting common shares to be offered in units of one $100 debenture and 10 shares. **Price**—$220 per unit. **Business**—Company has been licensed to conduct harness racing with pari-mutual betting. **Proceeds** — For debt repayment and working capital. **Office**—3 Penn Center Plaza, Philadelphia. **Underwriter**—Stroud & Co., Inc., Philadelphia. **Offering**—Indefinite.

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**—To be named.

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 East 40th St., N. Y. **Underwriter**—S. E. Securities, Inc., 10 East 40th Street, New York **Note**—This registration will be withdrawn.

Wyomont Petroleum Co.

May 10, 1963 ("Reg. A") 120,000 common. **Price**—$2.50. **Business**—Production and sale of petroleum products. **Proceeds**—For debt repayment, construction and working capital. **Address**—P. O. Box 670, Thermopolis, Wyo. **Underwriter**—Northwest Investors Service, Inc, Billings, Montana. **Note**—The SEC has issued an order temporarily suspending this letter.

Issues Filed With SEC This Week

★ Atlas Finance Co., Inc. (9/16-20)

July 29, 1963 filed 37,500 shares of 6% cumulative convertible preferred. **Price**—By amendment (max. $20). **Business**—Consumer and dealer financing. **Proceeds**—For working capital and debt repayment. **Office**—262 Spring St., N. W., Atlanta, Ga. **Underwriters**—Marshall Co., Milwaukee, and McCormick & Co., Chicago.

★ Blandy Corp.

July 22, 1963 ("Reg. A") 300,000 class A non-voting common. **Price**—$1. **Business**—Production and distribution of ice cream and dairy products. **Proceeds** — For equipment, working capital and other corporate purposes. **Office**—4650 Idlewild Rd., Salt Lake City. **Underwriter**—None.

★ Brantly Helicopter Corp.

July 23, 1963 filed 588,780 common to be offered for subscription by stockholders on the basis of three new shares for each share held. **Price**—$50 cents. **Business**—Production of a light two-place helicopter. **Proceeds**—For debt repayment, product development, working capital and other corporate purposes. **Office**—1129 Club House Road, Gladwyne, Pa. **Underwriter**—None.

★ Bridges Investment Fund, Inc.

July 25, 1963 filed 200,000 capital shares. **Price**—Net asset value (max. $10). **Business**—A new mutual fund. **Proceeds**—For investment. **Office**—8401 W. Dodge Rd., Omaha. **Underwriter**—None.

★ Commercial Credit Co. (8/14)

July 26, 1963 filed $50,000,000 of notes due Aug. 1, 1985. **Price**—By amendment. **Business** — A holding company whose subsidiaries are engaged in specialized forms of financing and insurance. **Proceeds**—For working capital. **Office**—300 St. Paul Place, Baltimore. **Underwriters**—Kidder, Peabody & Co., Inc., and First Boston Corp., New York.

★ Dorchester Gas Producing Co. (8/27)

July 25, 1963 filed $3,500,000 of subordinated convertible debentures due Aug. 1, 1975. **Price** — By amendment. **Business**—Production of natural gas and its various byproducts. **Proceeds**—For debt repayment and working capital. **Office**—1501 Taylor St., Amarillo, Tex. **Underwriters**—A. C. Allyn & Co., Chicago; Allen & Co., New York; Metropolitan Dallas Corp., Dallas.

★ Handleman Co. (8/26-30)

July 29, 1963 filed 330,000 common. **Price**—By amendment (max. $13). **Business**—Wholesaling of phonograph records, pharmaceuticals, beauty aids and sundries. **Proceeds**—For selling stockholders. **Office**—670 East Woodbridge, Detroit. **Underwriters**—E. F. Hutton & Co., Inc., New York, and Baker, Simonds & Co., Inc., Detroit.

★ Impro Biologics, Inc.

July 16, 1963 ("Reg. A") 15,000 common. **Price** — $20. **Business**—Research, development and sale of antibiotical serums. **Proceeds**—For debt repayment, research, working capital and other corporate purposes. **Address**—Waukon, Iowa. **Underwriter**—None.

★ Israfund-Israel Fund, Inc.

July 29, 1963 filed 300,000 common. **Price**—$10. **Business**—Fund plans to own stock of companies which will invest in securities of Israeli enterprises. **Proceeds**—For investment. **Office**—17 East 71st St., New York. **Underwriter**—Israel Securities Corp., (same address).

★ Lansing Stamping Co.

July 15, 1963 ("Reg. A") 6,229 common and $150,000 of 5% convertible notes due 1968. **Price**—At-the-market. **Business** — Manufacture of metal forms by cold processes. **Proceeds**—For selling stockholders. **Office**—1159 S. Pennsylvania Ave., Lansing, Mich. **Underwriter**—None.

★ Lone Star Gas Co. (8/27)

July 30, 1963 filed $35,000,000 of sinking fund debentures due 1988. **Business**—Production and distribution of natural gas in Texas and Oklahoma. **Proceeds**—For loan repayment, construction and working capital. **Office**—301 South Harwood St., Dallas. **Underwriters** — (Competitive). Probable bidders: First Boston Corp.; Halsey, Stuart & Co. Inc.; Salomon Brothers & Hutzler. **Bids**—Aug. 27 (11 a.m. EDST) at Chemical Bank New York Trust Co., 20 Pine St., New York. **Information Meeting**—Aug. 22 (11 a.m. EDST), same address.

★ Mahoning Corp.

July 26, 1963 filed 200,000 common. **Price**—$3. **Business**—Company plans to engage in the exploration and development of Canadian mineral properties. **Proceeds**—For general corporate purposes. **Address**—402 Central Tower Bldg., Youngstown, Ohio. **Underwriter**—None.

★ Nordon Corp. Ltd.

July 29, 1963 filed 60,085 capital shares. **Price** — By amendment (max. $3.25). **Business**—Acquisition of oil and gas properties, and the production of crude oil and natural gas. **Proceeds**—For selling stockholders. **Office**—5455 Wilshire Blvd., Los Angeles. **Underwriter**—Gregory-Massari, Inc., Los Angeles.

★ Northern States Power Co. (Minn.) (9/18)

July 26, 1963 filed $15,000,000 of first mortgage bonds due 1993. **Proceeds**—For construction and loan repayment. **Office**—15 S. Fifth St., Minneapolis. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.-Blyth & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith Inc.-Kidder, Peabody & Co.-White, Weld & Co. (jointly); Equitable Securities Corp.-Eastman Dillon, Union Securities & Co. (jointly); Lehman Brothers-Riter & Co. (jointly). **Bids**—Expected Sept. 18 (11 a.m. EDST).

★ Old Florida Rum Co.

July 29, 1963 filed 338,755 common, and warrants to purchase an additional 338,755 common, to be offered for subscription by common stockholders in units of one share and one warrant, on the basis of one unit for each two shares held. **Price**—By amendment (max. $4). **Business**—Company is engaged in the production of rum and other alcoholic beverages. **Proceeds**—For working capital, loan repayment, sales promotion and equipment. **Office**—1035 N. W. 21st Terrace, Miami. **Underwriters**—Pierce, Wulbern, Murphey Inc., Jacksonville, and Consolidated Securities Corp., Pompano Beach, Fla.

★ Pacific Mines, Inc.

July 24, 1963 filed 100,000 common. **Price**—$1.50. **Business** — Company plans to explore iron deposits on its property. **Proceeds**—For mining operations, debt repayment and operating expenses. **Office**—1218 N. Central Ave., Phoenix. **Underwriter**—None.

★ Phoenix Capital Corp.

July 19, 1963 ("Reg. A") 24,000 common. **Price**—$12.50. **Business**—An investment company. **Proceeds**—For investment, and other corporate purposes. **Address**—Suite 112, Osborn Plaza, 222 W. Osborn Rd., Phoenix. **Underwriter**—None.

★ Space Research & Development Corp.

July 19, 1963 ("Reg. A") 6,000 common. **Price**—At-the-market. **Business**—Development, manufacture and sale of precision test instruments. **Proceeds** — For a selling stockholder. **Office**—300 Jackson Tower, Portland, Ore. **Underwriter**—None.

★ Transpacific Group, Inc.

July 26, 1963 filed 155,000 common. **Price**—By amendment (max. $15). **Business**—An insurance holding company. **Proceeds**—For expansion. **Office**—520 S. W. 6th Ave., Portland, Ore. **Underwriter**—None.

★ United Investors Corp. (Minn.)

July 29, 1963 filed $500,000 of 6% convertible debentures due 1973 to be offered for subscription by stockholders on an unlimited basis. **Price**—By amendment. **Business**—A holding company for United Investors Fund Corp. (a broker-dealer which sells mutual funds) and United Capital Life Insurance Co. of Minnesota. **Proceeds**—To increase capital and surplus of United Capital Life Insurance Co. of Minnesota. **Address**—1300 First National Bank Bldg., Minneapolis.

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."

American Greetings Corp.

$7,500,000 of 4⅜% convertible subordinated debentures due Aug. 1, 1983 offered at 102% plus accrued interest, to yield 4.224%, by Goldman, Sachs & Co., New York, and McDonald & Co., Cleveland.

Cooper Tire & Rubber Co.

150,000 shares of 4¾% preferred offered at $20 per share by Merrill Lynch, Pierce, Fenner & Smith Inc., New York.

Mil National Corp.

100,000 common offered at $4 per share by Herbert Young & Co., Inc., New York.

Music Royalty Corp.

100,000 common offered at $1.50 per share by the company, without underwriting.

Nippon Telegraph & Telephone Public Corp.

$20,000,000 of 5¾% guaranteed dollar bonds due July 15, 1978 offered at 96.75% and accrued interest, to yield about 6.08%, by Dillon, Read & Co., Inc., First Boston Corp., and Smith, Barney & Co., Inc., New York.

NuTone, Inc.

75,000 common at $21.25 per share, by Lehman Brothers, New York.

Pacific Power & Light Co.

$30,000,000 of 4⅝% first mortgage bonds due Aug. 1, 1993 offered at 101% plus accrued interest, to yield 4.56%, by Lehman Brothers, Bear, Stearns & Co., Salomon Brothers & Hutzler, and Merrill Lynch, Pierce, Fenner & Smith Inc., New York.

Pacific Light & Power Co.

100,000 preferred offered at $101.50 per share, to yield 4.65%, by Kidder, Peabody & Co. and Eastman Dillon, Union Securities & Co., New York.

Rona Lee Corp.

$250,000 of 6¾% convertible subordinated debentures due June 30, 1973 offered at par; also 50,000 common offered at $4 per share by Reuben Rose & Co., Inc., New York.

Southern Bell Telephone & Telegraph Co.

$70,000,000 of 4⅜% debentures due Aug. 1, 2003 offered at 101.234%, to yield 4.31%, by Lehman Brothers, Blyth & Co., Merrill Lynch, Pierce, Fenner & Smith Inc., and Salomon Brothers & Hutzler, New York.

Trailer Train Co.

$4,800,000 of 4½% series equipment trust certificates, series 3, due July 1, 1964-1983 offered at prices to yield from 3.95% to 4.65%, by Salomon Brothers & Hutzler, New York.

Therm-O-Disc, Inc.

124,072 common offered at $28.50 per share, by Goldman, Sachs & Co., New York, and McDonald & Co., Cleveland.

Uris Buildings Corp.

50,000 common offered at $20.50 per share, by Kuhn, Loeb & Co., Inc., New York.

Prospective Offerings

Atlantic Coast Line RR. (8/13)
July 16, 1963 the company announced plans to sell $4,575,000 of 1-15 year equipment trust certificates in August. **Office**—220 E. 42nd St., New York. **Underwriters**—(Competitive). Probable bidders: Salomon Brothers & Hutzler; Halsey, Stuart & Co. Inc. **Bids**—Aug. 13 (12 noon EDST) at above address.

Bethlehem Steel Co.
Feb. 26, 1963, Arthur B. Homer, Chairman, announced that the company will embark on a $750,000,000 capital improvements program to be completed by 1965. He said that approximately two-thirds of the financing for the program will be generated internally and the balance secured externally. Mr. Homer added that this would not be required until at least 1964. **Office** — 25 Broadway, New York. **Underwriters**—To be named. The last public sale of securities in May, 1955, was handled by Kuhn, Loeb & Co., and Smith, Barney & Co., New York.

Canon Camera Co.
June 26, 1963 it was reported that the company plans to sell $5,000,000 of convertible bonds in the U. S. **Business** — Manufacture of cameras and other photographic equipment. **Proceeds**—For expansion. **Address**—Tokyo, Japan. **Underwriter** — Yamaichi Securities Co. of New York, Inc.

● **Carolina Freight Carriers Corp. (8/7)**
July 5, 1963 the company applied to the ICC for permission to offer 100,000 common. Of the total, 24,000 will be sold by the company and 76,000 by stockholders. **Price**—By amendment. **Business** — A motor freight carrier operating in 13 states from Mass. to Florida. **Proceeds**—For working capital. **Address**—Cherryville, N. C. **Underwriter**—The Ohio Co., Columbus.

Chesapeake & Ohio Ry.
July 16, 1963 it was reported that the company plans to sell about $3,780,000 of equipment trust certificates in late September. This will be the second instalment of a total $10,305,000 issue. **Address** — Terminal Tower, Cleveland, O. **Underwriters** — (Competitive). Probable bidders: Salomon Brothers & Hutzler; Halsey, Stuart & Co. Inc.

Chicago Burlington & Quincy RR. (10/1)
May 20, 1963 the company announced tentative plans to sell $5,000,000 of equipment trust certificates in October. **Office**—547 W. Jackson Blvd., Chicago. **Underwriters**—(Competitive). Probable bidders: Salomon Brothers & Hutzler; Halsey, Stuart & Co. Inc. **Bids**—Expected October 1 (12 noon CDST) at above address.

Columbia Gas System, Inc. (10/3)
May 6, 1963 the company stated that it plans to sell $25,000,000 of debentures in October to raise money for construction. **Office** — 120 East 41st Street, New York. **Underwriters** — (Competitive). Probable bidders: Morgan Stanley & Co.-First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Smith Inc.-White, Weld & Co. (jointly); Halsey, Stuart & Co. Inc.; Blyth & Co.-Lehman Brothers-Salomon Brothers & Hutzler. **Bids**—Expected Oct. 3.

Communications Satellite Corp.
Feb. 20, 1963 it was reported that papers of incorporation have been filed for this company, in Washington, D. C. Company's common voting shares, without par value, will be divided into two series. Series I will be issued to the public, firms that produce space exploration equipment and other non-communications concerns. Series II will be issued to FCC-approved communications common carriers, with the provision that no more than half the company's total shares can be held by these carriers, and no individual or group may hold over 10% of the remaining 50%. **Price**—Maximum of $100 per share. **Business**—Congress has authorized the company to provide satellites and ground facilities for the international transmission of telephone, telegraph, television and other communications. **Office**—3029 Klingle Rd., N. W., Washington, D. C. **Underwriters**—To be named.

Connecticut Light & Power Co.
June 4, 1963 it was reported that the company is considering the issuance of about $25,000,000 of bonds in late 1963. **Proceeds**—For construction. **Address**—Selden St., Berlin, Conn. **Underwriters**—To be named. The last public offering of bonds on Jan. 20, 1960 was handled by Morgan Stanley & Co.-Putnam & Co.-Chas W. Scranton & Co.-Estabrook & Co. (jointly).

Connecticut Yankee Atomic Power Co.
April 23, 1963 it was reported that the 12 utilities which jointly own this new firm, have petitioned the SEC for exemption from the Public Utility Holding Company Act to permit the negotiated sale of $55,000,000 of the firm's bonds. The request has been opposed by a major underwriter who wants the bonds to be sold at competitive bidding. **Business**—Company was formed in December, 1962, to own and operate a 500,000 kw. atomic power plant at Haddam Neck, Conn. **Proceeds**—For construction of the $70-$80,000,000 plant. **Office**—441 Stuart St., Boston. **Underwriters**—To be named.

Consolidated Edison Co. of New York, Inc.
May 22, 1963 the company stated that it will have to raise approximately $800,000,000 through the sale of securities, to finance its five-year construction program. In addition, it will have to refinance $52,000,000 of maturing bonds in the period ending 1967. **Office**—4 Irving Place, New York. **Underwriters**—To be named. The last public bond issue, in December, 1962, was won at competitive bidding by Halsey, Stuart & Co. Inc. Other bidders were Morgan Stanley & Co., and First Boston Corp.

Consumers Power Co.
April 24, 1963 it was reported that the company plans to sell $20,000,000 of straight debentures in the 3rd quarter of 1963. **Office**—212 W. 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., Salomon Brothers & Hutzler-Blyth & Co.-Lehman Brothers-Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly).

Duke Power Co.
April 22, 1963 it was reported that the company has tentative plans to issue $50,000,000 of first mortgage bonds in the first quarter of 1964. **Office**—30 Rockefeller Plaza, New York. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Morgan Stanley & Co.; Stone & Webster Securities Corp.

Eastern Freight Ways, Inc.
Oct. 9, 1962 the ICC authorized the company to issue 100,000 common. **Price**—By amendment (min. $5). **Business**—A motor vehicle common carrier operating in nine eastern states from Vermont to Virginia. **Proceeds**—For working capital, debt repayment and advances to subsidiaries. **Office** — Moonachie Ave., Carlstadt, N. J. **Underwriter**—Allen & Co., New York.

★ **Electronic Associates, Inc.**
July 30, 1963 it was reported that a registration statement will be filed shortly covering about 100,000 common shares. **Business** — Development, production and sale of electronic analog computers, precision electronic plotting equipment and laboratory instruments. **Address**—Long Branch, N. J. **Underwriter**—W. C. Langley & Co., New York.

First National Bank of Toms River, N. J.
July 24, 1963 it was reported that the bank is offering its stockholders the right to subscribe for an additional 24,000 common shares on the basis of one new share for each 19½ held of record June 26. Rights will expire Aug. 26. **Price**—$24. **Proceeds**—To increase capital funds. **Address**—Toms River, N. J. **Underwriter**—None.

Florida Power Corp.
March 12, 1963 the company announced plans to offer stockholders, sometime in 1963, the right to subscribe for about 457,265 additional common shares on a 1-for-20 basis. **Proceeds**—For loan repayment. **Office**—101 Fifth St., South, St. Petersburg, Fla. **Underwriters**—To be named. The last rights offering in May 1959 was underwritten by Kidder, Peabody & Co., and Merrill Lynch Pierce, Fenner & Smith, Inc., New York.

Foote, Cone & Belding, Inc.
June 18, 1963 it was reported that the company is considering the public sale of about 25% of its stock. **Business**—Company is one of the leading advertising agencies in the U. S. with 1962 billings of about $130,000,000. **Office**—247 Park Ave., New York. **Underwriter**—To be named. It was reported that negotiations are being conducted with Merrill Lynch, Pierce, Fenner & Smith Inc., New York.

General Aniline & Film Corp.
April 3, 1963 Attorney General Robert F. Kennedy announced that the Justice Department had reached an out-of-court agreement with Interhandel, a Swiss holding company, designed to settle the 20-year old dispute over control of the 540,894 class A and 2,050,000 class B shares of General Aniline seized by the U. S. Government in 1942 as a German asset. The stock represents 98% of the voting control of the company. Mr. Kennedy said that if General Aniline should be sold for $200 million, the Government would receive about $140 million and Interhandel about $60 million. The settlement terms, recently approved by Interhandel stockholders, also must be approved by the U. S. District Court at Washington, D. C. **Business**—Company is a leading domestic producer of dyestuffs, chemicals and photographic materials. **Office**—111 W. 50th St., New York. **Underwriters**—(Competitive). Probable bidders: Blyth & Co.-First Boston Corp. (jointly); Lehman Brothers-Kuhn, Loeb & Co.-Glore, Forgan & Co (jointly); Bache & Co.

Georgia Power Co. (11/7)
Jan. 22, 1963 it was reported that this subsidiary of The Southern Co., plans to sell $30,000,000 of first mortgage bonds and $7,000,000 of preferred stock in November **Proceeds**—For construction. **Office**—270 Peachtree Bldg., Atlanta. **Underwriters** — (Competitive). Probable bidders: (Bonds): Equitable Securities Corp.-Eastman Dillon, Union Securities & Co. (jointly); Blyth & Co.-Kidder, Peabody & Co.-Shields & Co. (jointly); Halsey, Stuart & Co. Inc.; First Boston Corp.; Harriman Ripley & Co.; Morgan Stanley & Co.; Lehman Brothers. (Preferred): First Boston Corp.; Lehman Brothers; Blyth & Co.; Eastman Dillon, Union Securities & Co.-Equitable Securities Corp. (jointly); Morgan Stanley & Co. **Bids**—Expected Nov. 7, 1963.

Gulf, Mobile & Ohio RR. (8/8)
June 12, 1963 it was reported that this road plans to sell $3,900,000 of equipment trust certificates. **Office**—104 St. Francis St., Mobile, Ala. **Underwriters**—(Competitive). Probable bidders: Salomon Brothers & Hutzler; Halsey, Stuart & Co. Inc. **Bids**—Aug. 8 (12 noon CDST) at the company's Chicago office.

Gulf States Utilities Co.
Jan. 29, 1963 the company announced plans to sell 100,000 shares of preferred stock (par $100) in the second half of 1963. **Office**—285 Liberty Ave., Beaumont, Tex. **Underwriters**—(Competitive). Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers-Equitable Securities Corp. (jointly); Glore, Forgan & Co.-W. C. Langley & Co. (jointly); Lee Higginson Corp.

Hartford Electric Light Co.
April 30, 1963 the company announced plans to sell $15,-$20,000,000 of securities in 1964 to help finance its $26,000,000 construction program. **Office**—176 Cumberland Ave., Wethersfield, Conn. **Underwriters** — First Boston Corp., New York; Putnam & Co., Hartford; Chas. W. Scranton & Co., New Haven.

Hawaiian Telephone Co.
June 2, 1963 it was reported that the company plans to offer stockholders in October the right to subscribe for an additional $8,000,000 of common stock. **Office**—1130 Alakea St., Honolulu. **Underwriter**—Kidder, Peabody & Co., New York.

International Milling Co.
July 8, 1963 the company announced that it expects to file a registration statement covering its first public offering of common stock. The sale will include both a primary and a secondary distribution. **Business**—Company is one of the world's largest flour millers with operations in five countries. **Proceeds**—For expansion, research and debt repayment. **Address** — 1200 Investors Bldg., Minneapolis. **Underwriter** — Kidder, Peabody & Co., Inc., New York.

Iowa Power & Light Co.
Jan. 16, 1963 it was reported that the company plans to sell $10,000,000 of bonds in the first half of 1964. **Office**—823 Walnut St., Des Moines. **Underwriters**—(Competitive). Probable bidders: First Boston Corp.; White, Weld & Co.; Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.; Lehman Brothers; Blyth & Co.

Japan (Government of)
May 1, 1963 it was reported that the Government plans to sell an additional $35,000,000 of external loan bonds in the U. S. during the fiscal year ending March 31, 1964. It is expected that the majority would be sold by Dec. 31, 1963. **Underwriter**—First Boston Corp., New York.

Jersey Central Power & Light Co. (10/1)
July 16, 1963 the company announced plans to sell $18,525,000 of first mortgage bonds due 1993. **Proceeds**—For construction and refunding of outstanding 5⅜% bonds due 1990. **Address** — Madison Avenue, at Punch Bowl Rd., Morristown, N. J. **Underwriters** — (Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; First Boston Corp.; Eastman Dillon, Union Securities & Co.-Salomon Brothers & Hutzler-Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly); Kidder, Peabody & Co.; Harriman Ripley & Co. **Bids**—Expected Oct. 1 (11 a.m. EDST) at 80 Pine St., New York. **Information Meeting**—Sept. 26 (10 a.m. EDST) at same address.

Jersey Central Power & Light Co. (10/15)
June 12, 1963 company announced plans to sell $9,000,000 of debentures due 1988. **Proceeds**—For construction. **Address**—Madison Ave., at Punch Bowl Rd., Morristown, N. J. **Underwriters** — (Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; First Boston Corp.; Eastman Dillon, Union Securities & Co.-Salomon Brothers & Hutzler-Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly); Kidder, Peabody & Co.; Harriman Ripley & Co. **Bids**—Expected Oct. 15 (11 a.m. EDST) at 80 Pine St., New York. **Information Meeting**—Oct. 10 (10 a.m. EDST) at same address.

Louisiana Power & Light Co.
Feb. 20, 1963 it was reported that this subsidiary of Middle South Utilities, Inc., may issue $25-$30,000,000 of bonds early in 1964. **Proceeds**—For construction. **Office**—142 Delaronde St., New Orleans. **Underwriters**—(Competitive.) Probable bidders: Merrill Lynch, Pierce, Fenner & Smith Inc.- Kidder, Peabody & Co.-Harriman Ripley & Co., Inc. (jointly); White, Weld & Co.-Blyth & Co., Inc.- Shields & Co. (jointly); Halsey, Stuart & Co. Inc.; First Boston Corp.-Glore, Forgan & Co. (jointly); Salomon Brothers & Hutzler-Eastman Dillon, Union Securities & Co.-Equitable Securities Corp. (jointly).

Massachusetts Electric Co.
Jan. 16, 1963 it was reported that this company plans to sell $10,000,000 of bonds in the fourth quarter. **Office**—441 Stuart St., Boston. **Underwriters** — (Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Smith Inc.; Eastman Dillon, Union Securities & Co.; Kidder, Peabody & Co.; Blyth & Co.-White, Weld & Co. (jointly).

Mexico (Government of)
July 16, 1963 following the public offering of $40,000,000 of external bonds, it was reported that the Government is authorized to sell an additional $65,000,000 of bonds in the U. S. and abroad. **Underwriters**—Kuhn, Loeb & Co., Inc., and First Boston Corp., N. Y.

● **Nevada Power Co. (10/16)**
July 29, 1963 it was reported that the company plans to sell about $11,000,000 of first mortgage bonds in October. **Address**—Fourth and Stewart Ave., Las Vegas. **Underwriters**—(Competitive). Probable bidders: White, Weld & Co.; Eastman Dillon, Union Securities & Co.—Kidder Peabody & Co. (jointly); Halsey, Stuart & Co., Inc.; Merrill Lynch, Pierce, Fenner & Smith—Lehman Bros.—Salomon Bros. & Hutzler. **Bids**—Expected Oct. 16.

Continued on page 32

Continued from page 31

● Nevada Power Co.
July 29, 1963 it was reported that the company plans to sell about 120,000 common shares in October. Transaction is subject to approval by Federal and State regulatory authorities. **Address**—Fourth and Stewart Ave., Las Vegas. **Underwriter**—White, Weld & Co., New York.

New England Power Co. (11/19)
July 10, 1963 it was reported that this utility plans to sell $10,000,000 of bonds and $10,000,000 of preferred stock in the fourth quarter. **Office**—441 Stuart St., Boston. **Underwriters** — (Competitive). Probable bidders: (Bonds) Halsey, Stuart & Co. Inc.; Lehman Brothers-Equitable Securities Corp. (jointly); Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Smith Inc.-Kidder, Peabody & Co.-White, Weld & Co. (jointly); First Boston Corp. (Preferred) First Boston Corp.; Dean Witter & Co.-Smith, Barney & Co.-Wertheim & Co. (jointly); Equitable Securities Corp.-Kidder, Peabody & Co.-Lee Higginson Corp.-White, Weld & Co. (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith Inc. **Bids**—Expected Nov. 19.

New England Telephone & Telegraph Co. (8/27)
July 17, 1963 the company, 69.32% owned by A. T. & T., announced plans to offer stockholders the right to subscribe for about 2,099,858 common shares on the basis of one new share for each 12 held of record Aug. 27. Rights would expire about Sept. 23. **Proceeds**—To repay advances from A. T. & T., and for other corporate purposes. **Office**—185 Franklin St., Boston. **Underwriter**—None.

★ New York, Chicago & St. Louis RR (9/11)
July 30, 1963 the company announced plans to sell $6,540,000 of 1-15 year equipment trust certificates in September. **Address** — Terminal Tower Bldg., Cleveland. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co., Inc.; Salomon Bros. & Hutzler. **Bids**—Sept. 11 (12 noon EDST) at the above address.

New York State Electric & Gas Corp.
April 3, 1963 it was reported that the company plans to sell $20,000,000 of debt securities to finance its construction program for 1964 and 1965. **Office**—108 East Green St., Ithaca, New York. **Underwriters** — (Competitive). Probable bidders: Kidder, Peabody & Co. - Salomon Brothers & Hutzler (jointly); First Boston Corp.-Glore, Forgan & Co. (jointly); Halsey, Stuart & Co.; Harriman Ripley & Co.; Blyth & Co.

Norfolk & Western RR (9/9)
July 2, 1963 it was reported that this road has scheduled the sale of about $6,900,000 of 1-15 year equipment trust certificates for September. **Office**—8 North Jefferson St., Roanoke, Va. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co., Inc.; Salomon Bros. & Hutzler. **Bids**—Expected Sept. 9 or 10 (12 noon EDST) at the company's Philadelphia office.

Northern Pacific Ry. (12/10)
July 2, 1963 it was reported that this road plans to sell about $4,800,000 of equipment trust certificates in December. **Office**—120 Broadway, New York. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co., Inc.; Salomon Bros. & Hutzler. **Bids**—Expected Dec. 10 (12 noon EST).

Northern States Power Co. (Minn.)
May 14, 1963 it was reported that the company plans to offer about 771,110 additional shares to stockholders on a 1-for-20 basis in 1964, to raise an estimated $25,000,000. **Office**—15 South Fifth St., Minneapolis. **Underwriter**—To be named. The last rights offering in July 1959 was underwritten by Merrill Lynch, Pierce, Fenner & Smith Inc., New York.

Otter Tail Power Co.
Jan. 16, 1963 it was reported that this company plans to sell $10,000,000 of bonds in the fourth quarter. **Office**—215 South Cascade St., Fergus Falls, Minn. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co. Inc.; Glore, Forgan & Co.-Kalman & Co. (jointly); White, Weld & Co.

Pacific Telephone & Telegraph Co.
June 19, 1963 the company stated that it will need $650 million of new money in the years 1964 through 1966 to help finance its $1.3 billion construction program. This means that the company must sell about $217 million of securities a year, it was stated. **Office**—140 New Montgomery St., San Francisco. **Underwriters**—To be named. The last issue of debentures on Feb. 16, 1960 was underwritten by Halsey, Stuart & Co. Inc. One other bid on the issue was tendered by Morgan Stanley & Co.

Pennsylvania Power & Light Co.
March 18, 1963 the company stated that it expects to sell $75,000,000 of bonds in the period 1963 through 1967. **Proceeds** — For construction and the retirement of $8,000,000 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).

Philadelphia Electric Co.
March 5, 1963 the company reported that it plans to spend $478,000,000 for construction during the five-year period 1963-67. It added that about half the money required will be generated internally, and the balance obtained by bank loans to be converted into permanent financing, from time to time, through the sale of bonds and common stock. **Office**—1000 Chestnut St., Philadelphia. **Underwriters**—To be named. The last sale of bonds on Oct. 15, 1959 was handled by Morgan Stanley & Co., and Drexel & Co. Other bidders were: Halsey, Stuart & Co. Inc.; First Boston Corp.; White, Weld & Co. The last sale of common was a rights offering on June 2, 1959, underwritten by Drexel & Co., and Morgan Stanley & Co.

Piedmont Natural Gas Co., Inc.
July 22, 1963 the company announced plans to offer stockholders this fall, the right to subscribe for about 140,000 common shares on a 1-for-10 basis. **Business**—Distribution of natural gas in North and South Carolina. **Proceeds**—For construction. **Office**—4301 Yancey R., Charlotte, N. C. **Underwriter**—White, Weld & Co., Inc., New York.

Potomac Edison Co.
May 14, 1963 it was reported that this subsidiary of Allegheny Power System, Inc., plans to raise $12,000,000 in 1964, but has not determined the type of security to be sold. **Office**—200 East Patrick St., Frederick, Md. **Underwriter**—To be named. The last sale of bonds on May 8, 1957 was to a group headed by W. C. Langley & Co., and First Boston Corp. Other bidders were: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; White, Weld & Co.-Shields & Co. (jointly); Lehman Brothers-Eastman Dillon, Union Securities & Co.-Harriman Ripley & Co.-Merrill Lynch, Pierce, Fenner & Smith, Inc. (jointly).

★ Potomac Electric Power Co.
July 30, 1963 the company stated that it will need $50,000,000 of new money in 1964 for its construction program and expects to do permanent financing in the early part of the year. However, it has not determined the amount or type of security to be offered. **Office**—929 E St., N. W., Washington, D. C. **Underwriters**—To be named. On Feb. 19, 1963 the company sold $50,000,000 of bonds to Dillon, Read & Co., Inc.; Lehman Bros., Eastman Dillon, Union Securities & Co., Stone & Webster Securities Corp., and Johnston, Lemon & Co. Other bidders on the issue were Kidder, Peabody & Co.—Merrill Lynch, Pierce, Fenner & Smith, Inc.—White, Weld & Co.—Salomon Bros. & Hutzler (jointly); First Boston Corp.; Halsey, Stuart & Co.

Public Service Co. of Colorado
June 4, 1963 it was reported that the company plans to sell $35,000,000 of 30-year first mortgage bonds in April, 1964. **Proceeds**—For construction. **Office**—900 15th St., Denver, Colo. **Underwriters** — (Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Harriman, Ripley & Co., Inc.-Eastman Dillon, Union Securities & Co.-Merrill Lynch, Pierce, Fenner & Smith Inc.-Dean Witter & Co. (jointly); First Boston Corp.; Lehman Brothers-Kidder, Peabody & Co.-White, Weld & Co. (jointly); Blyth & Co., Inc.-Smith, Barney & Co. (jointly).

Public Service Electric & Gas Co. (10/22)
July 23, 1963 the company announced plans to issue $40 to $50,000,000 of debentures due 1982 in October. **Proceeds**—To redeem $36,000,000 of outstanding 3% debentures maturing Nov. 1, 1963 and for construction. **Office**—80 Park Place, Newark, N. J. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc.-Lehman Brothers-Salomon Brothers & Hutzler (jointly); Blyth & Co.; Goldman, Sachs & Co.-Harriman Ripley & Co. (jointly); First Boston Corp. **Bids**—Expected Oct. 22 (11 a.m. EDST) at above address.

Rochester Telephone Co.
May 7, 1963 the company announced plans to sell $16,000,000 of debentures in the first quarter of 1964, but may do so earlier if market conditions are favorable. **Proceeds** — For construction. **Office** — 10 Franklin St., Rochester, N. Y. **Underwriters**—(Competitive). Probable bidders: First Boston Corp.; Eastman Dillon, Union Securities & Co.-Kidder, Peabody & Co. (jointly); Kuhn, Loeb & Co.; Halsey, Stuart & Co. Inc.

Sears, Roebuck & Co.
Feb. 19, 1963, Allstate Enterprises, Inc., subsidiary, announced that it had delayed its plans to form a new mutual fund until it received clarification of an SEC ruling which "has been construed by some to mean that registered investment companies could not purchase Sears' stock or would be required to divest themselves of it, if Sears' itself owned a mutual fund." Earlier, Allstate said that the fund would be in operation late in 1963 on a "very small scale," and would be started on a state-by-state basis as approval was granted. **Office**—925 So. Homan Ave., Chicago. **Distributor**—Allstate Enterprises, Inc., Chicago.

Southern California Edison Co.
May 22, 1963, following the sale of $60,000,000 of first and refunding mortgage bonds due May 15, 1988, the company stated that it will need about $66,000,000 of new money to finance its 1963-64 construction program. A spokesman said that the company is considering the sale of a minimum of $50,000,000 of debt securities in the fall. **Office**—601 West Fifth St., Los Angeles. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.-Dean Witter & Co. (jointly); Blyth & Co.-Lehman Brothers-Merrill Lynch, Pierce, Fenner & Smith Inc.-Salomon Brothers & Hutzler (jointly).

Southern Counties Gas Co. of Calif.
Jan. 2, 1963 it was reported that this subsidiary of Pacific Lighting Corp., plans to sell $27,000,000 of first mortgage bonds in the fourth quarter. **Address**—P. O. Box 2736, Terminal Annex, Los Angeles 54, Calif. **Underwriters**—(Competitive) Probable bidders: White, Weld & Co.; Blyth & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc.; Halsey, Stuart & Co. Inc.; First Boston Corp.

Southern Pacific Co. (9/4)
July 23, 1963 it was reported that the company plans to sell about $7,500,000 of 1-15 year equipment trust certificates. **Office** — 165 Broadway, New York. **Underwriters** — (Competitive). Probable bidders: Salomon Brothers & Hutzler; Halsey, Stuart & Co. Inc. **Bids**—Sept. 4 (12 noon EDST) at above address.

Tokyo (City of)
May 1, 1963 it was reported that the Diet had authorized the sale of $20,000,000 City of Tokyo bonds in the U. S. during the fiscal year ending March 31, 1964. **Underwriter**—To be named. The last issue of Tokyo bonds in March, 1927, was handled by Kuhn, Loeb & Co. **Offering**—Indefinite.

Transcontinental Gas Pipe Line Co.
May 6, 1963 it was reported that the company plans to issue $30,000,000 of debt securities in September. **Proceeds**—For expansion. **Office**—3100 Travis St., Houston. **Underwriters**—White, Weld & Co., and Stone & Webster Securities Corp., New York.

Ultronic Systems Corp.
May 28, 1963 it was reported that a registration will be filed shortly covering the first public sale of this firm's common stock. While the size of the offering has not been determined, it is said to be a relatively small deal, involving over 50,000 shares. **Business** — Manufacture, rental and service of the "Ultronic Stockmaster," a desk unit used to provide stock brokers with instantaneous information on stock and commodity market action of selected issues. **Proceeds**—For working capital. **Address**—Pennsauken, N. J. **Underwriter**—Bache & Co., N. Y.

Union Electric Co.
March 19, 1963 the company stated that it plans to issue $20,000,000 of preferred stock and $40,000,000 of bonds by the end of 1964. **Office**—315 N. 12th Blvd., St. Louis. **Underwriters**—(Competitive). Probable bidders: (Preferred): First Boston Corp.; Dillon, Read & Co., Inc.; Lehman Brothers; White, Weld & Co.; Blyth & Co., Inc. (Bonds): Halsey, Stuart & Co. Inc.; Lehman Brothers-Blyth & Co., Inc. (jointly); White, Weld & Co.-Shields & Co. (jointly); First Boston Corp.

Utah Power & Light Co.
July 2, 1963 it was reported that this utility plans to sell about $20,000,000 of bonds and $10,000,000 of preferred stock in the second quarter of 1964. **Office**—1407 West North Temple St., Salt Lake City. **Underwriters**—(Competitive). Probable bidders (bonds): Salomon Bros. & Hutzler; Halsey, Stuart & Co., Inc.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly); White, Weld & Co.-Stone & Webster Securities Corp. (jointly); First Boston Corp.-Blyth & Co. (jointly); Eastman Dillon, Union Securities & Co.-Smith, Barney & Co. (jointly); Lehman Brothers-Bear, Stearns & Co. (jointly). (Preferred Stock) White, Weld & Co.-Stone & Webster Securities Corp. (jointly); First Boston Corp.-Blyth & Co. (jointly); Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co.-Smith, Barney & Co.-Salomon Brothers & Hutzler (jointly); Lehman Brothers.

★ Virginia Electric & Power Co. (12/10)
July 30, 1963 the company announced plans to sell $30,000,000 of securities, probably first mortgage bonds, in December. **Address**—Seventh and Franklin Sts., Richmond. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co., Inc.; Salomon Bros. & Hutzler—Goldman, Sachs & Co. (jointly); Eastman Dillon, Union Securities & Co.—Merrill Lynch, Pierce, Fenner & Smith Inc.—Lehman Bros. (jointly); White, Weld & Co.; Stone & Webster Securities Corp. **Bids**—Expected Dec. 10.

Washington Gas Light Co.
July 2, 1963 it was reported that this utility plans to sell $20,000,000 of bonds in the second quarter of 1964. **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 Transmission Corp.
April 17, 1963 it was reported that this newly-formed natural gas pipeline company plans to file a registration statement covering an undetermined number of common shares to be offered initially to stockholders of U. S. Natural Gas Corp. **Address**—9601 Wilshire Blvd., Beverly Hills, Calif. **Underwriter**—None.

Western Union Telegraph Co.
March 6, 1963 the company announced that it had arranged to borrow a total of $100,000,000 by sale of notes maturing serially, one-third at the end of each of the years 1964, 1965 and 1966. It plans to refinance the serial notes by issuance of long-term debt securities, but has not determined the terms or timing of the action. **Office**—60 Hudson St., New York. **Underwriters**—Kuhn, Loeb & Co., Inc., and Lehman Brothers, New York.

Wisconsin Public Service Corp. (10/8)
March 19, 1963 it was reported that this company plans to sell $15,000,000 of bonds later this year. **Office**—1029 North Marshall St., Milwaukee. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc.; Eastman Dillon, Union Securities & Co.-Salomon Brothers & Hutzler (jointly); First Boston Corp.; White, Weld & Co.; Kidder, Peabody & Co. **Bids**—Expected Oct. 8.

Yale Express System, Inc.
July 22, 1963 it was reported that the company had filed an application with the ICC for permission to sell $6,500,000 of convertible subordinated debentures and 400,000 class A shares. **Business**—A holding company for subsidiaries engaged in motor vehicle freight transportation, nationwide freight forwarding, truck leasing, etc. **Proceeds**—For loan repayment. **Office**—460 12th Ave., New York. **Underwriters**—Eastman Dillon, Union Securities & Co., and Hemphill, Noyes & Co., New York. **Offering**—Expected in mid-August.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Steel ingots and castings (net tons)	July 27	1,856,000	1,939,000	2,313,000	1,504,000
Index of production based on average weekly production for 1957-1959	July 27	99.6	104.1	124.2	80.7
Unofficial indicated steel operations (per cent capacity). The American Iron & Steel Institute discontinued issuing this data late in 1960	July 27	0.605	0.63	0.755	51.5
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	July 19	7,644,410	7,567,760	7,541,410	7,248,060
Crude runs to stills—daily average (bbls.)	July 19	8,744,000	8,845,000	8,647,000	8,450,000
Gasoline output (bbls.)	July 19	31,279,000	30,840,000	31,760,000	30,700,000
Kerosene output (bbls.)	July 19	3,069,000	3,146,000	2,906,000	3,078,000
Distillate fuel oil output (bbls.)	July 19	14,128,000	14,407,000	14,290,000	13,279,000
Residual fuel oil output (bbls.)	July 19	5,256,000	5,210,000	4,829,000	5,435,000
Stocks at refineries, bulk terminals, in transit, in pipe lines					
Finished gasoline (bbls.) at	July 19	191,468,000	192,181,000	194,915,000	184,031,000
Kerosene (bbls.) at	July 19	33,130,000	32,876,000	30,329,000	31,652,000
Distillate fuel oil (bbls.) at	July 19	133,308,000	128,666,000	113,161,000	131,163,000
Residual fuel oil (bbls.) at	July 19	49,580,000	48,714,000	46,037,000	48,099,000
Unfinished oils (bbls.) at	July 19	89,562,000	89,958,000	89,737,000	85,969,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	July 20	587,693	507,725	599,220	558,118
Revenue freight received from connections (no. of cars)	July 20	450,235	411,343	519,527	446,838
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	July 20	8,920,000	*2,460,000	9,815,000	7,386,000
Pennsylvania anthracite (tons)	July 20	353,000	146,000	442,000	290,000
CONSTRUCTION ADVANCE PLANNING — ENGINEERING NEWS-RECORD—NEW SERIES (000's omitted):					
Total advance planning by ownership	July 25	$547,200	$596,900	$748,600	$463,400
Private	July 25	312,500	353,800	293,100	264,800
Public	July 25	234,700	243,100	456,500	198,600
State and Municipal	July 25	222,600	183,500	446,400	194,900
Federal	July 25	12,100	59,600	10,100	3,700
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1957-59 AVERAGE=100	July 20	98	100	103	93
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	July 27	18,771,000	18,501,000	17,925,000	16,635,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	July 25	272	230	296	269
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	July 22	6.279c	6.279c	6.279c	6.196c
Pig iron (per gross ton)	July 22	$63.33	$63.33	$63.33	$66.44
Scrap steel (per gross ton)	July 22	$25.50	$25.50	$25.50	$26.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	July 26	30.600c	30.600c	30.600c	30.600c
Export refinery at	July 26	28.375c	28.450c	28.425c	28.575c
Lead (New York) at	July 26	11.250c	11.000c	10.750c	9.500c
Lead (St. Louis) at	July 26	11.050c	10.800c	10.550c	9.300c
‡Zinc (delivered at)	July 26	12.500c	12.500c	12.000c	12.000c
Zinc (East St. Louis) at	July 26	12.000c	12.000c	11.500c	11.500c
Aluminum (primary pig, 99.5%) at	July 26	22.500c	22.500c	22.500c	24.000c
Straits tin (New York) at	July 26	113.875c	115.375c	115.875c	111.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	July 30	89.22	88.97	89.34	88.01
Average corporate	July 30	88.81	88.81	89.23	86.91
Aaa	July 30	91.77	91.77	92.64	90.77
Aa	July 30	90.34	90.34	90.77	88.95
A	July 30	89.23	89.23	89.51	86.65
Baa	July 30	84.30	84.30	84.17	81.54
Railroad Group	July 30	87.18	87.05	87.18	83.53
Public Utilities Group	July 30	89.92	89.78	90.20	88.81
Industrials Group	July 30	89.51	89.64	90.06	88.40
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	July 30	3.91	3.94	3.88	3.94
Average corporate	July 30	4.50	4.50	4.47	4.64
Aaa	July 30	4.29	4.29	4.23	4.36
Aa	July 30	4.39	4.39	4.36	4.49
A	July 30	4.47	4.47	4.45	4.66
Baa	July 30	4.84	4.84	4.85	5.06
Railroad Group	July 30	4.62	4.63	4.62	4.90
Public Utilities Group	July 30	4.42	4.43	4.40	4.50
Industrials Group	July 30	4.45	4.44	4.41	4.53
MOODY'S COMMODITY INDEX	July 30	365.3	371.3	372.1	371.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	July 20	343,429	276,350	358,862	352,869
Production (tons)	July 20	345,301	229,828	369,080	332,532
Percentage of activity	July 20	92	63	96	93
Unfilled orders (tons) at end of period	July 20	553,879	547,283	507,233	524,921
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1959 AVERAGE=100	July 26	99.25	*99.29	112.49	100.82
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	July 5	1,913,450	2,692,710	3,445,100	2,127,540
Short sales	July 5	462,880	526,220	831,790	642,540
Other sales	July 5	1,548,600	2,144,410	2,610,950	1,640,530
Total sales	July 5	2,011,480	2,670,630	3,442,740	2,283,070
Other transactions initiated off the floor—					
Total purchases	July 5	256,580	463,570	967,530	279,830
Short sales	July 5	44,400	48,050	160,900	63,120
Other sales	July 5	228,130	537,850	765,140	239,140
Total sales	July 5	272,530	585,900	926,040	302,260
Other transactions initiated on the floor—					
Total purchases	July 5	701,753	864,060	1,492,233	643,830
Short sales	July 5	135,240	147,210	293,980	129,070
Other sales	July 5	695,485	813,860	1,255,983	666,980
Total sales	July 5	830,725	961,070	1,549,963	796,050
Total round-lot transactions for account of members—					
Total purchases	July 5	2,871,783	4,020,340	5,904,863	3,051,200
Short sales	July 5	642,520	721,480	1,286,670	834,730
Other sales	July 5	2,472,215	3,496,120	4,632,073	2,546,650
Total sales	July 5	3,114,735	4,217,600	5,918,743	3,381,380
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	July 5	1,044,385	1,325,022	1,815,616	1,536,114
Dollar value	July 5	$57,284,033	$70,615,112	$92,377,014	$70,821,945
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—customers' total sales	July 5	1,135,508	1,638,244	2,261,654	1,046,955
Customers' short sales	July 5	15,962	17,817	16,004	57,110
Customers' other sales	July 5	1,119,546	1,620,427	2,245,650	989,845
Dollar value	July 5	$56,573,370	$81,951,450	$106,916,417	$51,642,031
Round-lot sales by dealers—					
Number of shares—Total sales	July 5	379,960	697,830	884,210	202,290
Short sales	July 5	------	------	------	------
Other sales	July 5	379,960	697,830	884,210	202,290
Round-lot purchases by dealers—Number of shares	July 5	296,250	304,860	420,080	693,780
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	July 5	797,190	925,560	1,553,420	1,306,020
Other sales	July 5	13,369,730	19,420,200	26,459,340	12,957,470
Total sales	July 5	14,166,920	20,345,760	28,012,760	14,263,490
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1957-59=100):					
Commodity Group—					
All commodities	July 23	100.5	100.5	100.1	100.3
Farm products	July 23	97.3	*97.1	95.1	96.3
Processed foods	July 23	102.4	*102.4	100.9	100.9
Meats	July 23	95.9	95.1	91.7	98.3
All commodities other than farm and foods	July 23	100.6	100.6	100.5	100.7

*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
AMERICAN PETROLEUM INSTITUTE—Month of April:			
Total domestic production (barrels of 42 gallons each)	260,228,000	268,700,000	252,077,000
Domestic crude oil output (barrels)	228,270,000	234,289,000	221,437,000
Natural gasoline output (barrels)	31,948,000	34,413,000	30,330,000
Benzol output (barrels)	10,000	7,000	10,000
Crude oil imports (barrels)	32,593,000	36,070,000	32,249,000
Refined product imports (barrels)	32,491,000	29,809,000	26,910,000
Indicated consumption domestic and export (barrels)	294,054,000	317,479,000	286,433,000
AMERICAN HOME LAUNDRY MANUFACTURERS ASSOCIATION—Month of June:			
Total home laundry appliance factory unit sales (domestic)	452,240	382,649	407,603
Washers	358,614	310,979	334,864
Automatic and semi-automatic	302,499	248,795	267,345
Wringers and others	56,115	62,184	67,519
Combination washer-dryers	2,597	1,455	2,491
Dryers	91,029	70,215	70,248
Electric	59,375	46,815	49,701
Gas	31,654	23,400	20,547
AMERICAN RAILWAY CAR INSTITUTE—Month of June:			
Orders of new freight cars	2,349	6,074	3,411
New freight cars delivered	3,701	2,405	3,911
Backlog of cars on order and undelivered (end of month)	21,959	23,364	13,274
AMERICAN TRUCKING ASSOCIATION, INC.—Month of May:			
Intercity general freight transport by 343 carriers (in tons)	6,843,446	6,568,545	6,451,632
BANK DEBITS — BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM			
Month of June (000's omitted)	$299,600,000	$318,100,000	$291,800,000
BANKERS DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of June 30:			
Imports	$535,773,000	$525,297,000	$472,814,000
Exports	806,908,000	808,398,000	751,011,000
Domestic shipments	20,832,000	15,688,000	24,783,000
Domestic warehouse credits	45,607,000	56,193,000	91,817,000
Dollar exchange	129,985,000	148,515,000	144,690,000
Based on goods stored and shipped between foreign countries	1,158,222,000	1,141,525,000	857,128,000
Total	$2,697,327,000	$2,695,616,000	$2,342,243,000
COAL EXPORT (BUREAU OF MINES)—Month of May:			
U. S. exports of Pennsylvania anthracite (net tons)	339,699	194,986	112,437
To North and Central America (net tons)	35,051	24,930	62,968
To Europe (net tons)	287,450	169,216	47,313
To South America (net tons)	11,366	632	168
To Asia (net tons)	5,325	------	1,988
To Australia (net tons)	507	------	------
COAL OUTPUT (BUREAU OF MINES)—Month of June:			
Bituminous coal and lignite (net tons)	39,250,000	41,210,000	37,673,000
Pennsylvania anthracite (net tons)	1,783,000	1,682,000	1,339,000
COKE (BUREAU OF MINES)—Month of May:			
Production (net tons)	5,056,197	*4,827,536	4,510,377
Oven coke (net tons)	4,963,844	*4,740,933	4,453,176
Beehive coke (net tons)	92,353	*86,603	57,201
Oven coke stocks at end of month (net tons)	2,791,516	*3,185,614	3,774,885
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BOARD OF NEW YORK			
As of June 30 (000's omitted)	$2,049,000	$2,084,000	$1,878,000
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on June 29	19,305,000	19,402,000	19,491,000
Spinning spindles active on June 29	15,767,000	15,737,000	16,869,000
Active spindle hours (000's omitted) June 29	7,833,000	7,856,000	8,481,000
Active spindle hours for spindles in place June 29	391.6	392.8	424.0
DEPARTMENT STORE SALES SECOND FEDERAL RESERVE DISTRICT FEDERAL RESERVE BANK OF NEW YORK—1957-59 Average=100—Month of June:			
Sales (average daily) unadjusted	116	114	105
Sales (average seasonally adjusted)	120	119	108
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of June:			
Contracts closed (tonnage)—estimated	344,734	409,104	291,621
Shipments (tonnage)—estimated	359,950	390,332	348,787
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of June:			
Weekly earnings—			
All manufacturing	$100.61	*$99.47	$97.27
Durable goods	109.15	*108.62	105.47
Nondurable goods	88.80	*87.91	87.02
Hours—			
All manufacturing	40.9	*40.6	40.7
Durable goods	41.5	*41.3	41.2
Nondurable goods	40.0	39.6	40.1
Hourly earnings—			
All manufacturing	$2.46	$2.45	$2.39
Durable goods	2.63	*2.63	2.56
Nondurable goods	2.22	2.22	2.17
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM — 1957-59 Average=100—Month of June:			
Seasonally adjusted	125	124	118
Unadjusted	127	*125	120
METAL OUTPUT (BUREAU OF MINES)—Month of May:			
Mine production of recoverable metals in the United States			
Gold (in fine ounces)	125,777	*125,043	117,211
Silver (in fine ounces)	2,998,253	*3,059,011	3,404,973
Copper (in short tons)	104,821	*105,272	113,868
Lead (in short tons)	24,055	*20,825	25,032
Zinc (in short tons)	45,675	*45,712	43,564
REAL ESTATE FINANCING IN NONFARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of May (000's omitted):			
Savings and loan associations	$1,497,350	$1,412,080	$1,350,350
Insurance companies	116,035	111,936	99,961
Banks and trust companies	562,763	539,341	534,018
Mutual savings banks	167,803	145,435	154,257
Individuals	311,176	300,627	313,671
Miscellaneous lending institutions	577,729	555,854	531,152
Total	$3,232,856	$3,065,273	$2,983,409

STATE of TRADE and INDUSTRY

Continued from page 14

for the first 28 weeks of 1963 totaled 418,060 cars for an increase of 48,877 cars or 13.2% above the corresponding period of 1962, and 112,094 cars or 36.6% above the corresponding period in 1961. There were 61 class I U. S. railroad systems originating this type traffic in this year's week compared with 60 one year ago and 58 in the corresponding week in 1961.

Truck Tonnage Up for Fifth Consecutive Week Over 1962

Intercity truck tonnage in the week ended July 20 was 3.1% ahead of the volume in the corresponding week of 1962, the American Trucking Associations announced. For the fifth consecutive week, truck tonnage has shown a gain on a year-to-year basis. These reports have reflected steady increases over the 1962 level, and the latest report shows the most substantial gain since the second week of this year. Truck tonnage was 1.5% ahead of the volume for the previous week of this year.

These findings are based on the weekly survey of 34 metropolitan areas conducted by the ATA Department of Research and Transport Economics. The report reflects tonnage handled at more than 400 truck terminals of common carriers of general freight throughout the country.

Lumber Production Plunges 12.8% Below 1962 Week

Lumber production in the United States in the week ended July 20 totaled 193,392,000 board feet compared to 221,874,000 in the year-ago week according to reports from regional associations.

Compared with 1962 levels, output dropped 12.8%; new orders fell 6.2% and shipments fell 8.9%.

Following are the figures in thousands of board feet for the weeks indicated:

	July 20 1963	July 13 1963	July 21 1962
Production	193,392	173,282	221,874
Shipments	207,448	199,315	227,882
New orders	206,546	207,504	220,397

Electric Output Soars 12.8% Over Last Year's Level To An All Time Record High

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, July 27, was estimated at 18,771,000,000 kwh. according to the Edison Electric Institute. Output was 270,000,000 kwh. more than the previous week's total of 18,501,000,000 kwh., and 2,136,000,000 kwh. above the total output of the comparable 1962 week or an increase over the year ago week of 12.8% for an all time record high.

Business Failures Rebound From Prior Week's Downturn

Continuing to follow an uneven course, commercial and industrial failures bounced back to 272 in the week ended July 25 from the downswing to 230 in the preceding week, reported Dun & Bradstreet, Inc. An irregular pattern of weekly ups and downs has persisted ever since early May. Casualties in the current week edged slightly higher than a year ago when 269 occurred but they remained considerably short of the 319 in 1961 and were 7% below the pre-war total of 291 in 1939.

Failures involving liabilities of $100,000 or more increased to 37 from 30 in the preceding week and 25 in the similar week last year. While smaller casualties, those with losses under $5,000, also rose, to 235 from 200 a week earlier, they did not match their comparable 1962 level of 244.

Wholesale Commodity Price Index Drops Lowest Since Early 1961

Steady reductions in sugar, wheat, corn and tin quotations during the past week led to a substantial drop in the general wholesale commodity price level to 266.43 this Monday, the lowest since Jan. 6, 1961, reported Dun & Bradstreet, Inc. Cane, beet and refined sugar were all priced lower, as prospects brightened for a sizeable increase in the beet sugar crop to be harvested this Fall and as a slowdown persisted in buying of refined sugar. With scattered weekend rains and good crops, corn joined wheat on the list of commodities quoted appreciably lower in wholesale cost. Daily dips were registered in tin prices throughout the week, reflecting the slight activity in that market.

The Daily Wholesale Commodity Index sank to 266.43 on Monday, July 29, from 268.11 in the preceding week and fell below the 268.80 chalked up on the similar day last month. As well, it was off substantially from the year-ago level of 272.08.

Wholesale Food Price Index Eases Below 1963 Peak

Slipping 0.5% from the 1963 record of $5.98 set a week ago, the Wholesale Food Index, compiled by Dun & Bradstreet, Inc., stood at $5.95 on July 30. However, it maintained a 0.5% margin over last year's $5.92 for the corresponding date, continuing the year-to-year uptrend in effect since the middle of May.

The Dun & Bradstreet, Inc. Wholesale Food Price Index represents the sum total of the price per pound of 31 raw foodstuffs and meat 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.

Retail Purchases Unevenly Paced

Although clearances gave a solid impetus to consumer buying in the week ended Wednesday, July 25, spotty weather conditions kept retail activity at a level only mildly higher than a year ago. Active sportswear flourished in the second major summer heat wave hitting the East and midWest but cool damp weather dimmed shopping enthusiasm in some other areas. Home goods purchases barely held their own with last year's comparable volume. However, tourist and restaurant business continued to boom, along with car sales.

The total dollar volume of retail trade in the week ended in the Wednesday statement week ranged from 2 to 6% higher than a year earlier, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from comparable 1962 levels by the following percentages: West North Central —2 to +2; East North Central —1 to +3; East South Central 0 to +4; Pacific +1 to +5; New England +3 to +7; South Atlantic and West South Central +4 to +8; Mountain +5 to +9; Middle Atlantic +6 to +10.

Nationwide Department Store Sales Rise 5% Above Last Year's Level

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index were up 5% (adjusted) for the July 20-ending week compared with the like period in 1962. The week's gain over the year-ago week marked the ninth encouraging weekly trend in a row.

In the four-week period ended July 20, 1963 sales gained 7% over last year's level for the comparable period for the country's 12 leading department store districts.

According to the Federal Reserve System, department store sales in New York City for the week ended July 20, gained 9% over the comparable year-ago week's figure. New York City's department store sales were up 15% for the four week-period ending July 13.

A *flash figure* for New York City's sales for the July 27-ending sales week revealed a plus 3% increase. In every week since June 1, there has been a gain for the N. Y. C. department stores notwithstanding the N. Y. City sales tax hike from 3% to 4% commencing last June 1. No one can surmise, however, how much higher it might have been in the absence of the sales tax rise. The four-week N. Y. C. flash figure was plus 6% over a year ago.

So far this year (Jan. 1 to July 20), the 12 department store districts' retail dollar volume increased 4% (adjusted) over that rung up for corresponding period a year ago.

A broader set of data encompassing *total* retail sales, compiled by the Bureau of the Census, U. S. Department of Commerce, put the July 20-ending week's total sales 4% above a year ago, almost the same gain registered by department stores alone. The year-to-year contrast for the latest four-week period showed a gain of almost 4%—or three percentage points less than department store sales for the same period.

Dr. Yang V.-P. of Dominick Firm

A. Varick Stout, Chairman of the Board of Dominick & Dominick, 14 Wall Street, New York City, has announced the election of Dr. Ho-Ching Yang as a Vice - President and director of that corporation. Since 1948, Dr. Yang has been a registered representative of Dominick & Dominick.

Dr. Ho-Ching Yang

Dr. Yang's success in the financial community is particularly noteworthy, since it followed a distinguished career in medicine. Born in Shanghai, China, Dr. Yang graduated in 1925 from Tung Chi University, Shanghai. Three years later, he received the degree of Doctor of Medicine, *magna cum laude*, from Rostock University in Rostock, Germany. After practicing medicine for a number of years in China, Dr. Yang became director of the Hospital of Soochow in 1937.

Turning from medical practice to medical research, Dr. Yang was awarded the degree of Master of Public Health in 1942 by Johns Hopkins University in Baltimore, Md., and he was employed for a time in medical research at Lederle Laboratories, Pearl River, N. Y., and at the Goldwater Memorial Hospital in New York City.

Ten years ago, Dr. Yang became a naturalized American citizen, and earlier this year he was elected a trustee of the China Institute in America.

Nippon Tel. & Tel. Dollar Bonds Sold

Dillon, Read & Co., Inc., The First Boston Corp. and Smith, Barney & Co. Inc. New York, and associates are offering publicly an issue of $20,000,000 of 5¾% Nippon Telegraph & Telephone Public Corp. dollar bonds due 1978, unconditionally guaranteed as to payment of principal and interest by Japan.

On July 18, 1963, the President of the United States requested the Congress to enact legislation imposing a tax on certain purchases of securities of foreign issuers made by United States persons. If legislation should be enacted in the terms described by the Treasury Department, all purchases of the bonds, whether made in the course of the initial distribution or thereafter, would be exempt from the tax, except that any purchase made after Sept. 16, 1963 by a United States person from a foreigner would be subject to a tax payable by the purchaser, based on the purchase price. The rate of tax would be 10.3% on purchases before Jan. 15, 1965, and lesser rates, depending upon the remaining time to maturity, would apply thereafter. The proposed tax would not be applicable to resales of bonds made by foreigners to other than United States persons.

The bonds, priced at 96¾% to yield approximately 6.08% to maturity, will not be redeemable prior to July 15, 1973, except for semi-annual sinking fund payments of $335,000 from Jan. 15, 1965 to and including July 15, 1968, and $745,000 thereafter to and including Jan. 15, 1978, calculated to retire 84.2% of the issue prior to maturity. The sinking fund redemption price is 100% plus accrued interest. After July 15, 1973, the bonds will be redeemable at the option of the company at the principal amount thereof.

Proceeds from the sale of the bonds will be converted into yen and will be used primarily for additions, extensions, and improvements to the corporation's telephone facilities. The corporation has made large expenditures annually for the construction of new facilities and modernization of existing facilities in an attempt to meet increasing demand and to improve the efficiency of its services. Nippon Telegraph & Telephone's current budget calls for construction expenditures of the equivalent of approximately $675,000,000 for the fiscal year ending March 31, 1964.

The corporation entered into a new five-year expansion program on April 1, 1963, which calls for increased expenditures in each of the next five years aggregating approximately $5 billion over the period. This new expansion program provides for the continued improvement of existing facilities and for the installation by March 31, 1968 of an additional 5,000,000 subscriber lines, 13,456,000 miles of telephone toll circuits and 180,000 public telephones, with related exchange facilities.

The company, located in Tokyo, Japan, formed in 1952 to take over from the government the furnishing of public telephone, telegraph and related communication services in Japan and is the only company furnishing such services in Japan. It is wholly owned by the government, and control of its business and financial activities is exercised by various governmental bodies, with principal supervision by the Minister of Posts and Telecommunications.

Tax-Exempt Bond Market

Continued from page 6

Securities Co., Cumberland Securities Corp. and Graham-Conway Co.

Scaled to yield from 2.00% to 3.50%, the present balance is $1,600,000.

Friday's only sale of mention involved $1,126,000 City of Camden, New Jersey Sewer Improvement (1965-1997) bonds which were bought by the *National State Bank of Newark* syndicate on a bid of 100.361 for a 3.35% coupon. The runner-up bid, 100.263 also for a 3.35% coupon, came from Halsey, Stuart & Co., Inc.

Other members of the winning account were John J. Ryan & Co. and W. H. Newbold's Son & Co.

Reoffered to yield from 2.10% to 3.45%, all but $66,000 of the bonds have been sold.

There were no sales of note on Monday of this week. On Tuesday there were two interesting issues awarded at public bidding. The *Bank of America N. T. & S. A.* group was high bidder for $6,930,000 Kern County (Bakersfield), California Joint Union High School District (1964-1973) bonds at a net interest cost of 2.594%. This bid compared very favorably with the second bid, a 2.597% net interest cost, which was made by the Wells Fargo Bank and associates.

Other major members of the winning group include First National City Bank, Chase Manhattan Bank, First Boston Corp., Blyth & Co., Harris Trust and Savings Bank, Chemical Bank New York Trust Co., Glore, Forgan & Co. and Merrill Lynch, Pierce, Fenner & Smith Inc.

This strong underwriting group scaled the bonds to yield from 1.80% to 2.65% and at the end of the initial order period all of the bonds have been sold and the syndicate marked closed.

This week's final competitive new issue item involved $4,000,000 State of West Virginia Road (1964-1988) bonds. The syndicate headed by the *First National Bank of Chicago* was the high bidder for this issue at a 2.981% net interest cost with the runner-up bid, a 2.99% net interest cost coming from The Northern Trust Co. group. In addition, 14 other syndicates submitted bids ranging in interest cost from 2.993% to 3.09% for this popular small issue.

Associated with the First National Bank of Chicago in this underwriting are A. C. Allyn & Co., Inc., Wood, Struthers & Winthrop, Hayden, Stone & Co., Weeden & Co., American Securities Corp., Bacon, Whipple & Co. and E. F. Hutton & Co.

Reoffered to yield from 1.80% to 3.10% for various coupons, the present balance in account totals $1,370,000.

Week's Major Transaction

A nationwide group of 465 members managed jointly by *John Nuveen & Co., B. J. Van Ingen & Co., Inc., Blyth & Co., Inc., Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Smith Inc.* and *A. C. Allyn & Co., Inc.* purchased, through negotiation with officials of Grant County, Washington, Public Utility District No. 2, an issue of $197,000,000 Wanapum Hydroelectric Refunding Revenue bonds. The issue consists of $40,000,000 of 3⅜, 3½, 3.60, 3⅝ and 3.70% serial bonds, all due April 1, 1971 to 1988; $51,000,000 of 3.80% term bonds due April 1, 1998 and $106,000,000 of 3.85% term bonds due April 1, 2009, at a net interest cost of 3.7623%.

The serial bonds are priced to yield from 2.80% to 3.50% according to maturity. The 3.80% term bonds are dollar priced at 103½ to yield 3.62% to maturity and the 3.85% term bonds are priced also at 103½ to yield 3.69% to maturity. The $40,000,000 serial bonds were reported all sold and total group sales were just $100,000,000. The remaining term bonds have been allotted to members and the account closed. Term bonds, however, are freely available at issue price in the Street.

Proceeds from this financing will be used to refund, in advance, the outstanding bonds issued in 1959 to finance the Wanapum Project, a hydro-electric generating plant on the Columbia River in Washington. The outstanding bonds totaling $195,000,000 are first redeemable for refunding on Jan. 1, 1970. Proceeds from the sale will be escrowed in U. S. Government bonds until 1970 when the 1959 bonds will be retired and the 1963 issue will be the outstanding debt of the Utility District.

The Wanapum Project has been financed and now refinanced before it has generated power and while construction is still in progress. However, some power generation is expected in late September of this year.

Fuji Bank Announces New Monthly Report

Commencing with the July, 1963 issue, the Fuji Bank, Ltd., Japan's largest commercial bank, will publish its English-language Bulletin on a monthly basis, rather than quarterly as previously.

Topics covered in the July issue include Japan's economic prospects for the current fiscal year and an analysis of the Japanese steel industry.

Also available in English from the Fuji Bank are the Japan Banking Briefs, a monthly newsletter on significant economic and financial developments.

Copies of either or both of these publications may be obtained by addressing a request on business letterhead to the Fuji Bank, Ltd., One Chase Manhattan Plaza, New York 5, N. Y.

WASHINGTON AND YOU

BEHIND-THE-SCENES INTERPRETATIONS FROM THE NATION'S CAPITAL

WASHINGTON, D. C.—Why did the Russians agree with the United States to a nuclear test ban treaty thus moving a big step forward toward easing the arms race between these two world powers?

It was a question of economics for the Soviet Union, plus the very important fact the Russians are as appreciative of the horrors of a nuclear war as is the United States. The Kremlin leaders also realize how quickly a world catastrophe could come about.

Neither the Soviet Union nor our country and our Allies are gaining much over each other by signing the treaty. Nuclear testing is costly. The U. S. has been doing it for 20 years.

It is conceded in Washington that the Russians have a lead over us in the area of large nuclear or hydrogen type weapons. On the other hand, we are ahead in tactical weapons. We also know how to build huge nuclear weapons.

It is regarded as clearly in Russia's overall national interest to agree to a settlement in a major cold war area. There is strong suspicion that the breach between the Soviets and Red China may have accelerated the signing of the treaty.

Red China Has a Long Way To Go

China is hoping to become a nuclear power some day. So far, however, the Chinese have not tested the first A-bomb, and is not likely to do so for more than a year. Becoming a nuclear power means many steps and of course it is very costly.

China has practically no energy except that supplied by the backs of many millions of Chinese backs.

A test ban treaty in the atmosphere and underseas of course will not mean an end to continued research of so-called "plowshare projects" in this country.

It is hoped and believed that some day atomic energy explosions will dig canals, crush rock, excavate building sites, aid in constructing dams, and provide energy to blast tunnels through mountains, among other things.

Atomic Power Already Termed Competitive

The Atomic Energy Commission in testimony before Congress has expressed the conviction that atomic energy in the years ahead will supply at least half of the energy for electric power in the U. S. AEC maintains that it is not going to supplant coal and other fossil fuels, but will supplement them.

Although disputed by the National Coal Association, AEC maintains that atomic power is already competitive in areas like California and New England where fuels have to be shipped in to generate electric power.

Signing of the test ban treaty is good news to Americans who are hopeful that some day the arms race will be slowed down to a walk. However, the treaty, which must be ratified by the Senate, is not expected to end all tensions. There will be new crisis ahead at intervals.

Meantime, an immediate sidelight question is what effect the treaty might have as far as Russia and Cuba are concerned. There is strong hope in Washington the Cuban crisis will ease by the end of this year.

The treaty will have an economic impact, perhaps a big one on Russia, but the paramount one that will have ramifications around the world is the easing of tensions, at least for a while.

Looking Backward

There has been an uneasiness in the minds of mankind everywhere ever since August, 1945, after the U. S. dropped atomic bombs on Hiroshima and Nagasaki.

World War II came to an end quickly after the awesome deaths and destruction picture left in these two Japanese cities.

More than 100,000 perished and another 500,000 were injured from the first two atom bombs that were dropped from B-29 bombers that took off from the table-top flat little island of Tinan more than 1,000 miles from the Japanese mainland.

Those two bombs, each of which melted a city that had not been previously bombed, were "tiny" as compared to what is in our stockpile today at scattered places and what is in the stockpile of the Russians.

Our government has a single bomb that could wipe out Moscow, and the Soviets have a single bomb that could melt New York's mighty Manhattan.

President Kennedy briefly touched on the horrors angle of the war in his recent address to the American people. He said a nuclear war would kill 300,000 people in less than 60 minutes.

Hiroshima Warned

The bomb on Hiroshima was dropped on Aug. 6 after United States bombers warned the people of this city by thousands of leaflets that they were going to be bombed, and suggested they leave the city. Many did.

About a month later, after the formal surrender in Tokyo Bay on Sept. 2, Japanese time, Hiroshima still had not buried all its dead.

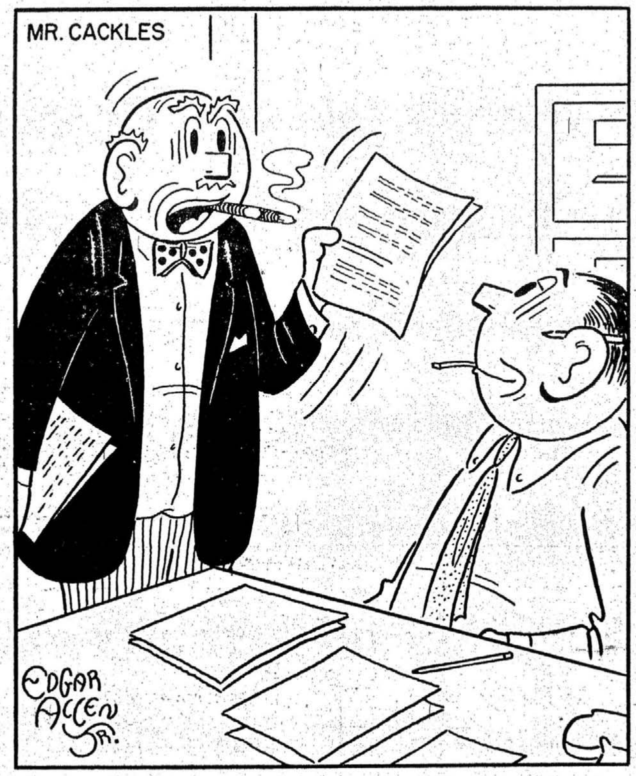
Blast and burns had accounted for about 85 or 90% of the deaths. Nearly all the survivors suffered "flash burns."

The Hiroshima bomb was a pee-wee in comparison to what we have on hand today and what Russia has in stock.

A man who was one of the first Americans in Hiroshima after the surrender will never forget the stench and the millions of green flies during his nightmarish stay there with two other scared companions.

The proposed test ban treaty, if it can lead to the easing of other areas of tensions and slow down the arms race, will be a great thing for all mankind.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]



"Just stick to stocks, Nutmeg — our Market News Letter doesn't need 'jazzing up' with a column about Dr. Ward and Christine Keeler!"

COMING EVENTS

IN INVESTMENT FIELD

Sept. 11-13, 1963 (Pebble Beach, Calif.)
Investment Bankers Association Board of Governors Meeting at the Del Monte Lodge.

Sept. 22-26, 1963 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at the Broadmoor Hotel.
CHRONICLE's Special Pictorial Supplement Oct. 17.

Sept. 27, 1963 (Philadelphia, Pa.)
Bond Club of Philadelphia 38th annual outing and field day at the Huntingdon Valley Country Club, Huntingdon Valley, Pa.

Sept. 27, 1963 (New York City)
Municipal Bond Club of New York 2nd Annual Fall Sports Outing at the Sleepy Hollow Country Club, Scarborough-on-Hudson, New York.

Oct. 6-9, 1963 (Washington, D. C.)
American Bankers Association Annual Convention.

Oct. 20-24, 1963 (Bal Harbour, Miami Beach, Fla.)
National Association of Bank Women 41st annual convention at the Americana Hotel.

Dec. 1-6, 1963 (Hollywood Beach, Fla.)
Investment Bankers Association of America Annual Convention at the Hollywood Beach Hotel.
CHRONICLE's Special Pictorial Supplement Dec. 19.

Dec. 2-3, 1963 (New York City)
National Association of Mutual Savings Banks 17th Mid-Year meeting at the Commodore Hotel.

April 8-9-10, 1964 (Houston, Tex.)
Texas Group Investment Bankers Association Annual Convention at the Shamrock Hilton Hotel.
CHRONICLE's Special Pictorial Section April 30.

May 16-24, 1964 (N. Y. City)
National Association of Mutual Savings Banks 44th Annual Meeting at the Commodore Hotel.

Dec. 7-8, 1964 (New York City)
National Association of Mutual Savings Banks 18th Annual Mid-Year meeting at the Commodore Hotel.

May 17-18-19, 1965 (Washington, D. C.)
National Association of Mutual Savings Banks 45th Annual meeting at the Washington Hilton Hotel.

May 16-17-18, 1966 (Philadelphia, Pa.)
National Association of Mutual Savings Banks 46th Annual meeting at the BellevueStratford Hotel.

May 22-23-24, 1967 (Boston, Mass.)
National Association of Mutual Savings Banks 47th Annual meeting at the Hotel America.

J. M. Dain Co. Names Officials

MINNEAPOLIS, Minn. — J. M. Dain & Co., Inc., 110 South Sixth St., members of the New York Stock Exchange, have announced the election of two new Directors, a Vice President and Secretary, following the meeting of the company's Board of Directors.

Raymond B. Garcia

Named to the board were Raymond B. Garcia, Vice President in charge of the firm's trading department and Harold G. Olson, Vice President in the Corporate Services Department.

John L. Walton, Treasurer was elected Vice President and Edwin C. Braman, manager of advertising, public relations and sales administration was named Secretary.

Mr. Garcia joined the Dain firm in 1951. He was formerly President of the Twin City Security Traders Association and is presently a member of the board of governors of the Twin City Bond Club.

Mr. Olson joined the firm in 1962. From 1949 and until 1957 he was a security analyst and portfolio manager of the Trust Department of Northwestern National Bank. From 1957 to 1962 he was commercial lending officer and a Vice-President of the bank.

Mr. Walton joined Dain from McCulloch Corporation, Scott Division where he was Treasurer for 10 years.

Mr. Braman joined Dain in 1961 and was formerly regional catalog sales office manager for Sears, Roebuck.