**EDITORIAL**

As We See It

“O liberty! liberty! how many crimes are committed in thy name!” One often wonders if a Madame Roland, well versed in economic thought, and living today would not make about the same observation about the current usage of the word “liquidity.” There are few words more often encountered in discussions among “modern” economists who, as is so often the case, seem to suppose that the key to all current economic problems is to be found in the currency or monetary field. Yet the term, now employed with various meanings in various fields, is never used in the sense which was not long ago commonly accepted among informed students of financial matters. In truth the word nowadays usually has very little relationship to the term as employed, say, a half century ago or even often a quarter of a century ago. Unfortunately, there are many, some of them among the very elect, who are all too easily mislead by words which have varied meanings, none of which is the same as formerly.

The latest arrival in this welter of jargon is the term “international liquidity.” To introduce further confusion this same phenomenon, apparently designating the sum total of any nation’s gold stock, foreign currency convertible (within certain limitations) into gold, and its “automatic” access to credit, is also sometimes designated as the international “money supply”—another term that rolls off a great many tongues, also meaning different things to different people and to which is all too often attributed almost occult powers. Now it usually happens that one nation’s loss of “international liquidity” is another nation’s gain in “international liquidity.” Thus, of course, our exports of gold and our attraction of large foreign deposits payable on de-

(Continued on page 44)

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The OTC Market: Coast-to-Coast Shopping Center for Quality Issues

By Dr. Ira U. Cohlke, Economist, and Dr. Harold J. King, Chairman, Department of Economics, Seton Hall University, South Orange, New Jersey.

Reviewing the progress of trading in the OTC market, its response to recent volume, activity and attitude of listed issues and the possible changes in procedures contained in legislative proposals of the Securities and Exchange Commission. Also included is a tabulation of OTC securities with unbeknown cash dividend record extending from five years to almost nine generations.

Market commentators currently relate their observations to two quite recent trading milestones—the drastic selIoff of May 28, 1962 and the latest bulge through to a new high in DJIA on September 24, 1963. Both dates are, of course, of major import to the world’s largest market—The Over-the-Counter one.

**Liquidation Absorbed**

Wall Street has an expression: “When they back up the wagon, everybody rides.” This was certainly true 15 months ago. Listed and unlisted issues alike were asked to supply and maintain bids against a downturn of sell orders. In this donnybrook of liquidation the market quotations in the larger, most actively traded, OTC issues held up, percentage wise, quite as well as comparable listed issues. It was the smaller, regional OTC issues, many of them comparatively new and thus unseasoned offerings, that took the drubbings. In a number of instances underwriters, with meager resources, who had sponsored these issues, were unable to maintain any market at all; and the pressure of called loans caused some of these firms to close their doors. This was an unhappy day for many anguished investors but it does bring home the lesson that investment dealers must be responsible and properly resourced, and that small unknown issues held by a few hundred stockholders may, on occasion, have thin or invisible markets. If they can be propelled to fat premiums over subscription price on the offering day, they can equally fade swiftly when everyone wants to sell at one time.

**Substantial Recovery**

The total recovery in substantial issues traded Over-the-Counter, since late May, 1962, has been quite as impressive as that in the exchange markets; and particularly where volume permits, OTC markets in general, have proved orderly, dependable and appropriately responsive to changes in the progress, prospects and profits of individual companies. Some of the proposals of the SEC respecting the OTC market do not seem particularly drastic. The SEC would like to see some sort of public reporting of daily volume and range in active (Continued on page 22)
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L. E. F. TOURON

Partner-In-Charge, Institutional Sales and Research, Shields & Co., New York City

The Over the counter, Ethyl Corporation, a major chemical-paper complex, has been one of the star performances in the "Over-the-Counter" market, exceeding the outstanding activity of such Big Boys as IBM, Polaroid, Litton, Control Data and Chrysler. So far, the growing interest in Ethyl has been mostly by those so-called sophisticated investors who generally are quick to recognize the opportunities of a "blue chip" company, having a high degree of leverage, possessing superior management, a substantial cash flow and poised on the threshold of growth. While some risk has always been apparent and still exists, aggressive management, impinging trends and new horizons suggest a strong future growth pattern.


Alabamer, accounting for about 25% of sales of the combined operations, is a producer of kraft paper and board, paper boxes, multi-wall bags and absorbent and waterproof papers. This division employs nearly 1,500 people and operates plants in five states.

Ethyl, a major chemical activity, with sales accounts for the balance or about 75% of total company sales, is best known as the leading treated gaso line producer of antiknock compounds for gasoline. Ethyl has broadened its fields of interest and has begun to produce other chemical products, various other chemicals for industry, consumer products, agricultural products, and essential intermediates for plastics. This division employs about 4,300 people and operates five plants and two important research laboratories.

Alabamer has been a relatively small but capable managed paper company. Sales, in the past 10 years, have more than doubled, rising from $2 million to $50 million. While product price declines have been severe, farm and general sales generally are evident and selected increases combine to give a strong outlook. In addition, Ethyl provides a means of overcoming the former disadvantage of Alabamer brought about by the competitive inroads by plastics and other paper substitutes.

Ethyl, until its patents expired in 1947, was the supplier of antiknock octane booster compounds for the petroleum industry. Since then, du Pont has become an important factor, and the second largest producer of industry capacity which totals 800 million pounds per year. Houston Chemical Company bought an 80 million pound plant in 1961 and Nalco Chemical plans a 40 million pound plant. Ethyl still leads with 400 million pounds; and, operating about 70% of capacity, is producing approximately 50% of industry sales of around $300 million.

It is well known that consumption of antiknock compounds has doubled since 1956 due to the shift away from the use of aviation gasoline which contains 10% of the market. The new jets using a kerosene type fuel have nearly eliminated the airplane market for tetraethyl lead. A second important factor has been the growth in compact car production which last year rose to 36% of the market. This year there has been a decline to 31% and the effect on tetraethyl may lessen further.

The second largest producer of gasoline is now expected to have a market share of 3% to 4% by the end of the year. Some antiknock compounds were at the 60c per pound level 10 years ago and are now at 55c. The downturn extended into early 1962, since which time they have been steady.

Ethyl Corporation, whose sales are currently estimated to be 22% paper, 68% antiknock compounds and 10% chemicals is expected to grow rapidly over the next five years. The company is planning a sales breakdown of 20% paper, 50% antiknock compounds and 25% chemicals. If achieved, sales could nearly double in 1968.

Chemicals and ethyl alcohol would rise to about 21% of sales in 1968.

The company states that they are "going to expand in all major lines, and very quickly." Research and development expenditures, budgeted at 4% to 5% of sales, approximate $10 million.

The company finances are considered better than the current ratio better than 3 to 1, working capital at nearly $90 million and cash and equivalents about $40 million. Cash flow for this year is estimated at about $28.5 million. Manditory debt service is $5.75 million and conditional debt service is $4 to $5 million. Dividends are preferred and stockholders' equity is total about $15.5 million.

Capital stock is made up of $200 million of priorities or 82% of total borrowed and invested capital and, outstanding there are approximately 48,000 6% preferred shares, 2.3 million class A and B common shares, 800 warrants for class B common, at $137.5 per share, expiring in 1962 and 285, 10-year options exercisable at the market price up to 10 years at prices ranging from $12.25 to $38.50 per share. These warrants and options would be valuable if Ethyl could bring in nearly $20 million of new capital and would add a dilution of the common of 22%, which is not expected for many years.

With the common selling at about 70, their total stock market value plus priorities approaching $375 million. The price-earnings ratio is 13.2 for 1962 earnings of $5.25 per share or 19 times on a fully diluted basis. The price-cash earnings ratio is 5.8 times or 8 times on a fully diluted basis. The common dividend is 36 cents per share.

In conclusion, the risk in this equity seems to be more apparent than real, and in terms of the fact that the outlook appears especially favorable since the company is in a win-sell opportunity to expand. The shares appear undervalued.

Augustus Slater
Financial Analyst, Lyon & Ross, Co., Los Angeles, California

Santa Fe Drilling Company

By the mid-1960s it had come to be accepted that the nature of producing potential of rapidly growing, energy-hungry California had been fully developed. Divining rods of major company geologists and seismologists alleged that there were still sizable gas deposits to be discovered. But there were a few skeptics who termed the leaguers." Going over some of the older seismic tracers they decided certain areas in central California were worth another try. The breakthrough came in early 1958 when one of the smaller independents brought in a gas producer in what was called the Verralls Field—which had been producing for 20 years from a shallow zone in 13.3 million wells owned by one of the large companies. Since then nature's own treasure-trawler has run over the succession of new dry gas fields within the megalopolis spread out in the shadow of San Francisco's Nob Hill. Like finding a major natural gas seam in 30 miles from New York, Chicago — it has much greater value in place, in the ground, that is not drained at the end of a pipeline, 2,000 miles away.

Santa Fe Drilling (named after its Home Office at Santa Fe, Spring, Calif.) is an important participant in this booming California gas play, with plenty of cash to support its own exploration activities and with a principal role as a contract well driller for the world's major oil companies, the company has had an unusually successful record since organization in 1948. With its total reserves on December 31, 1962, the 12 months ended June 30, 1963, earnings of $2.4 million was a 133% increase over the 1962 total of $1.08 million. For the first time in 16 years of $3.80 per share and cash flow exceeding $3.90 on the company's 1.5 million shares at new all time highs, its 3,800 shareholders find pleasant reading in the company's financial reports. Secret of its outstanding success in the competitive well drilling field has been superior service, quality, speed of response and the company's long-range, forward thinking reports.

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Interest Equalization Tax Bill Must Be Reconsidered

By Robert S. Boas, Executive Vice-President, Calt Marks & Co., Inc., New York City

If Congress does not see fit to exempt in late "old" foreign issues outstanding prior to July 10, 1962, the current legislative proposal to tax purchases of foreign securities sold by foreigners to U.S. persons should be amended to avoid an unfair and inequitable charge. In this statement, foreign securities specialists Boas urges amending the proposed H. R. 8000 to exclude conversions, exchanges or substitution of foreign securities and, also, recommends reforms resulting from the recent outburst of such issues whenever an American finds portfolio change necessary or desirable.

We have studied the record on H. R. 8000, listened to the testimony and read, during this few weeks, the abundant comments on this proposed legislation, and have discussed the whole complex with American and foreign economists, bankers and businessmen. We are much concerned and afraid H. R. 8000 in its present form may not achieve its aims unless appropriate amendments are incorporated.

This situation now prompts us to make a few following comments the bill as well as on the problem of the deficit in the U.S. balance of payments in general.

Looking back to 1945, the U.S. was practically an a-lmighty creditor, and the dollar was equated with gold. This is evident from the fact that the European Payments Union and the International Monetary Fund made the accounting unit equal to the dollar. In the intervening 18 years this country, out of generosity and, in certain instances, out of political necessity, has turned from a creditor to a debtor nation—at least temporarily—although our balance of trade is favorable and the invisible income such as services, insurance premiums, etc., are in our position still stronger.

Our balance of payments is, nevertheless, deficient. This is caused by facts, some of which may be unalterable, and some of which can stand correction.

It is not our idea, nor within our province to argue for a decrease of our global military commitments or for a restriction of our aid programs. It is, however, our sincere hope and desire that the dollar should remain strong, and that international operations in the monetary field should be kept liquid and open; otherwise, our nation, and in due course all countries of the free world, are propelled onto a currency restrictions, and will be thrown back altogether into a reactionary situation such as the one which prevailed in many countries between the World Wars and immediately thereafter.

Weakest Alternative We Could Use

Out of the vast arsenal of weapons at the disposal of the United States, H. R. 8000 appears to be the weakest, tackling very minor loopholes in the balance of payments problem, and, in our opinion, doing so neither effectively nor efficiently.

Seymour E. Harris, Littleton Professor of Political Economy at Harvard University, in his book "The Dollar is Crisis," listed 28 possible therapeutic measures to prevent the deterioration of the dollar. Yet Professor Harris agrees that the major resource still is to stimulate exports (including tourist travel to U.S. A.); divert purchases under aid and military programs to the United States; contain inflationary wages, prices and fiscal policies; increase capital liquidity; and maintain short-term interest rates at a level sufficiently high to discourage movements of short-term capital.

Also, in 1962, the Subcommittee on International Exchange and Payments, in a report to the Joint Economic Committee for the Congress on "Payment Policies Consistent with Domestic Objectives of Maximum Employment and Growth," pointed out some of the above measures, and only as a second choice stated that "if the more desirable multilateral avenues toward solution of the payments problems are closed to the United States, or if they should prove inadequate, consideration will have to be given to moves backward toward the older restrictive policies, such as prohibiting access by new foreign issues to the U. S. capital market, except where they are found not to add to the U. S. deficit..."

Runs Counter to Other Expert Reports

H. R. 8000 handles the situation in the very stated manner. Continued on page 44

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THE OVER-THE-COUNTER MARKETS

INVESTMENT OPPORTUNITIES

ARTICLE starting on the cover page, "The OTC Market: Coast-to-Coast Shopping Center for Quality Issues," discusses the investment opportunities inherent in securities available only in the Over-the-Counter Market. Listed in the tabulations showing the names of banks and companies which have paid consecutive cash dividends for 10 to 179 years (Table I, page 23) as well as those in the 5- to 10-year category (Table II, page 38).

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A CONTRARY OPINION ON MARKET FORECASTING...AND INVESTING REALISM

(The first of two sections of a paper by Mr. A. Wilfred May presented before the Contrary Opinion Forum, Manchester, N.Y., Oct. 4, 1963)

The stock market's performance since the debacle of May-June of 1962 is bewildering. In the opinion of some particularly timely now. For the prevalent opinion considered it a major reaction out of the post-1929 kind, well deserved because of the excesses in new issues and in gambling, etc.

Both President Kennedy and the Treasury at news conferences offered the "exploitive" price-earnings ratios as a major cause of the bust—Mr. Dillin suggesting 15 as a proper investment-based multiple. But since the June low the market recovered 10% of its preceding loss, with the price-earnings ratio rising from 15 to 19 on Moody's 123 stock index). What say Messrs. Kennedy and Dillin now?

Moreover, my own contribution, I feel certain, out-contraries the contrarians, in denying the possibility of timing major market movements, with the advocacy of value analysis in its place. In discussing stock market forecastability, let us consider first the proper place of forecasting in the investment process; second, the reasons for the continuing boom in the public's forecasting proclivities; third, the empirical results actually achieved by various categories of experts in the gamble-to-time-market movements; fourth, reasons making the negative results inevitable; fifth, the fundamental fallacy of the concept of the "market" as an entity, or of a "trend"; and sixth, the alternative of a sound investing approach.

It is, of course, true that some amount of forecasting is present in practically all our activities. In conducting a commercial business, some risk prediction is, done, as in the anticipation of the public's style acceptance by the automobile manufacturer, or perhaps in financing arrangements. And in farming, account is taken of the outlook for the weather and of the likely supply-and-demand situation.

But it must be remembered that in legitimate business and farming, forecasting is engaged in as an unavoidable necessity, as part of the business process, and is usually minimized as much as possible to reduce costs.

In market operations, contrasting, while some assumptions about the future, of course, must be made, the investment community stresses the forecasting elements far beyond the incidental and the unavoidable. Furthermore, an important standard in defining whether one is acting as an investor, speculator or gambler, is the relative emphasis placed on prediction. The closer one approaches a genuine investment attitude, the more will short-term predictions, along with other risks, be minimized; conversely, the speculator-gambler, dealing in risks, concentrates on forecasting.

The Prophets Boom

In direct contrast to the depression which Wall Street as an institution has recurrently suffered since the halcyon 1929, its forecasting "division" assuredly has been enjoying a continual bull market. This has centered largely in activities attempting to anticipate stock price movements through so-called internal market analyses. One remarkable growth in the popularity of prediction is contained in the intensified doubts—recently displayed in the recently released SEC Special Study of the Securities Markets.

Its Motivation

There seems to be a variety of reasons, mainly psychological, for such popularity of the "prophesy boom," particularly of the "technical" methods for gauging the action of the market-as-a-whole. An ordered system, particularly when supported by charting, has an emotional escape from the difficulties involved in the alternative approaches, such as the ability and rigorous self-discipline required for the business-like analysis and evaluation of individual securities; and also stems from disillusionment over the well-publicized shortcomings of past business and a general economic predictions. The mental gymnastics involved in contemplating a pictorialized market trend (as particularly as projected into the future) is compounding for its seeming simplification as well as for pure enjoyment.

"Liquidity," Blue Chills, and Stock Prices

In complete misconception of the basic nature of the common stock, the market-timing technique blithely overlooks the fact that essentially a share in a business is not different from a share in a business not listed; and cause the omission of the elements of the listed share to be dwarfed in importance by their rapidity and relatively low price.

A "Fifth" Trend

Thus the "liquidity" concept the forecasting market-as-a-whole. In their "liquidity" concept the forecasters in the stock-as-a-thing a kind of counter in the ebb and flow of market movements to put out realizing it, no doubt, they are dealing in prices in lieu of value, already. One is hemmed in by the extent to which their fellow-public will subsequently cause the price levels in terms of value, to overrun the market's other buyers and sellers, to out-guess the forecast. The "Paralyzed" Double Forecasting

The forecaster's difficulties are further enormously increased by the fact that he must be correct in forecasting not only their external events, but also their effect on the market. Like the difficult feat in horse racing of winning a parlayed bet, he must achieve two external forecasts.

And the market effect is far more difficult to anticipate, since the market's reaction to market participants' reactions to external events. Identical events often have successively opposite major market effects.

For example, in the period following the outbreak of war in Europe the minority forecaster who turned out to be correct in his expectations of further growth of a demonstrated war boom in the market, for it dropped 22% in 1946, and continued its bearish bearing through the late 1949.

Outbreak of war furnishes another example of the difficulty of forecasting the market. In the outbreak's inception, the predicted event, throughout the first eight months of 1939, those expect- ing the outbreak of world war sold stocks. But the actual occurrence of the event was followed by an immediate market rise averaging 30%. On the other hand, the Korean outbreak of last June was greeted by a market drop.

Internal Market Analysis

Time limitations prevent us from making more than a brief reference to the fundamental fallacies embodied in the current mass effort to anticipate stock movements by means of so-called internal market analysis.

The basic fallacy common to the plethora of "technical" methods used in stock market forecasting is the major premise that the future course of a price can be determined from its past, particularly by analyzing the hard-and-fast line between the past and the future. This error of the technicians applies not only to the charters of Dow Theory, of the systems, of action reaction signals ("cramming by Newton's Third Law")—explosions points, turning points and "island reversals," etc., the Dow theorists attempt to define whether the market is bull or bear. As a definition of the present thin is useful, but as prediction it signifies nothing. It functions merely as a weather vane that shows which way the wind is blowing, whether up or down the hill. Actually, it does not thereby give the broker clue as how long he will continue to blow that way—not even whether it will continue to blow for another day (or, another up-tick). The weather vane does not insure continuation of the wind; similarly, reliance on a past price trend does not guarantee its continuation. Stripped of its surrounding graphic, the Dow principle is a logical absurdity.

We have just witnessed an example of such absurdity in the form of break-through-the-old-high-high imagery. "The higher the cheaper—the market is allegedly cheaper at 728 than at 728 or 625.

Incidentally—when a system for beating the stock market or a game of chance comes a cropper, its practitioner is quick to blame himself for faulty interpretation and exculpate the macaroni system (a masochistic mental somersault)." The Market" and the Elusive "Trend"

Those trying to time movements of the stock market instead of an entity, or as an element, as contained a "trend," overlook the fact that the market exhibits constant divergences within that overall term termed "the market." The non-existence of a market is not discernible as an entity and the difficulty of defining a "trend" that is inclusive create an insurmountable obstacle to foreseeing of the "stock market." And those investors basing their prediction on a market-as-a-whole or a conceived-of-representative trend also

must win a "parlayed" bet—in this case first on the overall trend and second on the divergent component issues.

The concluding section of this paper, containing affirmative mechanisms for value appraisal of investment issues, will follow in next week's issue.

Brauns Joins Hayden, Stone

Robert A. W. Brauns has been named a Vice-President of Hayden, Stone & Co., Incorporated, 25 Broad Street, New York City, members of the New York Stock Exchange, the investment firm has announced. He will be in charge of the firm's corporate department. Prior to joining Hayden Stone, Mr. Brauns served as a partner and Vice-President for McDonnell & Co., having headed that company's underwriting activities at the end of his eight-year tenure.

The new Vice-President is also Chairman of the Board of Valmet Metalurgical Processing, Inc., Essex, Conn.

Laird & Co.

Elections V-P

Theodore J. Komona has been elected President of Laird & Co., Corp., members of the New York Stock Exchange, and will also serve as headquarters of the firm's New York City office at 61 Broadway. He will manage the Securities Division of the institutional department.

Joina Murray Frumin

Davie & Rich.—Charles Rubenstein has been associated with Murray Frumin & Co., Penobscot Building.

Mr. Rubenstein, who holds both A.B. and M.A. degrees from Wayne State University, successively joined his own company prior to entering the securities business.

Formerly with Strauss, Blesser & Field, he is a specialist in planning personalized investment programs.

Capital Secs. Branch

SAN ANTONIO, Texas — Capital Securities Company has opened a branch office at 302 Valley-Hill Drive, under the management of Steve I. Spaugh.
Small Investment Accounts
No Bonanza for Banks

By Charles W. Buse, President, United States Trust Company of New York, New York City

Banker is mystified by the eagerness with which banks of all sizes are looking forward to operating their own mutual funds. Enabling legislation is expected to be passed at this session of Congress which will remove the tax advantage and allow collection of investment funds for managing accounts. Mr. Buse calls attention to the fee restrictions of Reg. 9 in the pending bill placing them on a disadvantage, favoring the fee-bank mutual funds and the probable fee too costly operation of small funds which only trust funds of large size are able to overcome. For the profits involved, Mr. Buse believes the risk is too great caution should be exercised before moving into this area not to shirk on top personnel because investment results will be widely compared and publicized, and, though a small part of total bank operations, can shape a bank's reputation.

The most interesting development of the year for trustees undoubtedly has been the progress made toward the commoditized investment of managing accounts. Recent articles in the press may have given you the impression that we were getting nowhere, but that is not the case. We have made rapid progress in the area of the commoditized investment of managing accounts and of the collective investment of H. R. 10 trusts for the self-employed. We are very close to achieving for these smaller accounts all of the advantages which common trust funds have brought to trusts.

Investing: Small amounts of money have always been difficult, and common trust funds have enabled us to provide top-level supervision and broad diversification at a cost our customers could pay. Hereofore, we have had to turn away investment management customers whose funds were too small to handle properly and profitably, and H. R. 10 Trusts will present the same problem.

Expects Bill's Passage This Session

Now the end is in sight, and we have high hopes of complete success during this session of Congress. Legislation has been drafted by a special committee of the ABA Trust Division, under the chairmanship of Robert D. Ferguson, Senior Vice-President of the Pittsburgh National Bank. The bill will be known as "The Bank Collective Investment Fund Act of 1963." The Act stipulates that all such funds must be operated in accordance with Regulation 9 of the Comptroller of the Currency. The essential requirements and procedural limitations of Regulation 9 are embodied in the legislation. Furthermore, additional provision is made for, a mandatory, prior disclosure, not only of the plan of operation of any bank collective investment fund, but of its investment record to date. Such disclosure prior to investment seems clearly in the public interest, and it has been accepted by banks and regulatory authorities alike.

The enforcement of Regulation 9 is to respect to any collective investment fund will be the responsibility of the appropriate bank supervisory agency. This will be the Comptroller of the Currency in respect to nationals banks, the Federal Reserve Board in respect to state banks which are members of the System, and the Federal Deposit Insurance Corporation in respect to all others. Banks not falling in any of these categories will be subject to the supervision of one of these agencies if they desire to operate a collective fund.

Finally, the 1963 Act permits the granting of exemptions from certain of these procedural limitations, when such an exemption would be in the public interest and not contrary to the spirit or intention of the Act. This could mean that common trust funds of the familiar type, if continued to be operated and promoted in what might be termed the traditional manner, might not be subject to any new limitations.

Will End Tax Uncertainty

The 1963 Act, if it is enacted, will end the uncertainty regarding the tax status of collective investment funds, especially those which constitute managing agency accounts. These will fall under Section 831 (a) (2) of the Internal Revenue Code. Finally, penalties are specified for any bank which operates or promotes a collective investment fund in a manner which violates the provisions of Regulation 9. These penalties will be applicable to banks in any and all categories.

Collective investment funds, which must be operated by banks in accordance with all of the foregoing rules and limitations, will be exempt from the Securities Act of 1933, the Securities Exchange Act of 1934, and the Investment Company Act of 1940.

No Bonanza for Banks

All told, the rules will be strict and the opportunity limited. I am not mystified by the eagerness with which banks of all sizes are looking forward to the privilege of operating collective investment funds for managing agency accounts. I am sure that such banks have been misled by some of the debate of the past two years, and I would strongly recommend that they read Regulation 9 for a second time. They will also want to study the proposed legislation in company with both their counsel and their cost accountant.

The very few bankers who do not want to operate collective investment funds will be disappointed, for we have made no progress in that direction. Regulation 9 of the Comptroller of the Currency closed the door to the profitable operation of mutual funds by banks.

Regulation 9 limits the compensation of a bank to the fee which it would charge if an account were managed rather than in the collective fund. For most of us this puts a top limit on our compensation of 1% of principal. In the volumes we are likely to develop, it is highly unlikely that banks will absorb the cost operation, as well as the cost of investment management, and still show a profit at a half of 1% of principal. The mutual funds have had experience in handling many small amounts of money, and they have found that costs cannot be brought down to a half of 1%, including a margin of profit, until the investment fund has risen into the hundreds of millions of dollars.

Investing small amounts of money is expensive. The mutual funds have been able to do it on a basis of a management fee plus operating expenses and usually plus a loading charge. Regulation 9 offers the bank management fee less operating costs and no loading charge. In my opinion, an opportunity for banks to enter the mass market on a profitable basis does not exist.

Undermine a Bank's High Reputation

It is, therefore, hard to understand the willingness of banks, both large and small, to risk their fine names and well earned reputations on the fate of their investment funds in the stock market. Perhaps they have forgotten that Regulation 9 requires that the investment results of every collective fund must be published in a local newspaper. No competitor, with other banks in town need be made in the news release, but you can imagine how eagerly these figures will be awaited by customers, by competitors, and by analysts and bank securities.

Comparisons can be odious and conclusions will be made. Someone will collect these figures, tabulate returns, and make wide distribution. I don't know whether it will be Trusts and Executives. May I add: our good friend Morris Shapiro, and someone else will do it. It will soon be possible to classify the investment results of these collective funds with mathematical precision and with 20-20 hindsight. It is entirely possible that a bank which is in the top ten in the country in one year will find itself 299th in order of investment acumen. This will come as a shock to its president, who has kept his trust department hidden away in the annex, out of sight and out of mind.

Equipped With Top Personnel

Any bank which contemplates establishing such a collective investment fund would be well advised to take stock of its investment capabilities and the quality of its people. If the reputation of a bank is to be the test of investment results of these men, they must be every bit as proficient in their field as the commercial bankers are in theirs. This is why I am surprised to find so many banks eagerly awaiting the start of the race.

Well equipped banks may take advantage of Regulation 9 and the new legislation, assuming its enactment. The privilege of commoditizing investment management accounts will permit us to do a better job with our existing accounts and to accommodate our good customers whose business has heretofore been turned away. This will be a great step forward. We will also be in a position to invest in H. R. 10 trusts with adequate diversification and senior management.

The privilege of commoditizing is something to be practiced but not promoted. In skilled hands it can be a profitable way to go. Banks should enter this difficult field with full realization that the reward for success will be modest, and that the penalty for failure will be disproportionately severe.
Tax-Exempt Bond Market

By DONALD D. MACKAY

The Chronicle's price of reasonably jects the notion that an larger 9

The paradox is partially explained by the fact that commercial banks have more reason to expand their tax exempt bond holdings and so do have become less aggressive mortgaging, one has been pushed apprehensively through the interest advanced to the consumer and institutional demand.

Dollar Bonds Firm

While new issue bidding was not as high as the previous week, this week revealed high levels for the move, quotations for the discounting bridge, public utility and other revenue issues were generally below par. The Chronicle's Revenue bond yield index increased from 3.574% to 3.521%. This represents only a 1/8 point average sell-off for the 23 actively traded bonds involved in the close. Among the toll roads the Kansas Turnpike has shown steady improvement over the past week. For example, in August interest was earned 1.57 times as against 1.39 times in August. For the year ended Aug. 31, 1963, interest was earned 1.01 times against 1.12 times for the previous year. Progress here has been slow but the dominant factor may be the recent interest rate level.

The largest industrial bond of this nationwide syndicate were Merrill Lynch, Pierce, Fenner & Smith, John N. Ryan & Co., Kidsder, Pen-

MARTIN ON REPRESENTATIVE SERIAL ISSUES

California, State, 3% 1962-1992 3.00 3.00
New Jersey, 3% 1961-1982 3.20 3.20
New York State, 3% 1961-1982 3.00 3.00
Pennsylvania, 3% 1961-1982 3.00 3.00
Delaware, 3% 1961-1982 3.00 3.00
New Hampshire (N. Y., N. Y.), 3% 1961-1982 3.00 3.00
Maryland, 3% 1961-1982 3.00 3.00
Philadelphia, Pennsylvania, 3% 1961-1982 3.00 3.00
Chicago, Illinois, 3% 1961-1982 3.00 3.00
New York City, 3% 1961-1982 3.00 3.00

*No apparent availability.

Bankers, Brokers and Dealers

Foreign Securities

Bought

Sold

Quoted

Randy Broek, Lieber & Co.

New York Stock Exchange
American Stock Exchange

125 MAIDEN LANE, NEW YORK 38

PRIME Wire System in Connect.

The Council's price of reasonably

the notion that an larger 9

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Philadelphia, Pennsylvania, 3% 1961-1982 3.00 3.00
Chicago, Illinois, 3% 1961-1982 3.00 3.00
New York City, 3% 1961-1982 3.00 3.00

*No apparent availability.
**Public Utility District No. 1 of Douglas County**

**WASHINGTON**

Wells Hydroelectric Revenue Bonds, Series of 1963

**Wells Hydroelectric Project—Public Utility District No. 1 of Douglas County, Washington.**

The 1963 Bonds will be dated September 1, 1963; principal and interest (semi-annually; March 1 and September 1) first coupon, March 1, 1964; as coupon Bonds and principal on registered Bonds will be payable at the option of the holder at Morgan Guaranty Trust Company of New York, American National Bank and Trust Company of Chicago, or Seattle-First National Bank, Seattle. Payment to interest on each fully registered Bond will be made by the New York Paying Agent. The Chase Manhattan Bank, New York City, is Bond Fund Trustee. The 1963 Bonds will be issued in coupon form in the denomination of $1,000, payable as to principal only, and to fully registered Bonds in the denomination of $5,000, or any multiple thereof. Coupon and fully registered 1963 Bonds will be interchangeable.

Interest exempt, in the opinion of Bond Counsel to the District, from present Federal income taxes under existing laws and court decisions.

$144,170,000 4% Bonds due September 1, 2018

Price 101

$39,830,000 Serial Bonds
due annually September 1, 1974 to 1991, inclusive

<table>
<thead>
<tr>
<th>Amount</th>
<th>Rate</th>
<th>Due</th>
<th>Yield at 101</th>
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<tr>
<td>$1,635,000</td>
<td>3%</td>
<td>1974</td>
<td>3.15%</td>
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<tr>
<td>$1,685,000</td>
<td>3%</td>
<td>1975</td>
<td>3.20%</td>
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<td>$1,710,000</td>
<td>3%</td>
<td>1976</td>
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<td>$1,920,000</td>
<td>3%</td>
<td>1979</td>
<td>3.40%</td>
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<tr>
<td>$1,985,000</td>
<td>3%</td>
<td>1980</td>
<td>3.45%</td>
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<tr>
<td>$2,055,000</td>
<td>3%</td>
<td>1981</td>
<td>3.50%</td>
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<tr>
<td>$2,130,000</td>
<td>3%</td>
<td>1982</td>
<td>3.50%</td>
</tr>
</tbody>
</table>

Bonds redeemable prior to maturity on terms and conditions which are set forth in the Official Statement.

These Bonds are offered when, as and if issued and receipted for, subject to prior sale, to the right to reject any order and to withdraw, cancel or modify the offer without notice. Legal notices relative to declarations and times of offer, renewals, amendments and elections, and of interest due, are subject to approval by Wall Street, Inc., a division of Morgan Guaranty Trust Company of New York, and by Morgan Guaranty Trust Company of New York. Legal notices relative to declaration of interest due, and the due dates of interest, will be published in the Official Statement, copies of which may be obtained by any person from each of the Underwriters, including the undersigned, as may legally offer these Bonds to such States.

Blyth & Co., Inc.

Merrill Lynch, Pierce, Fenner & Smith

John Nuveen & Co.

Kidder, Peabody & Co.

Francis I. duPont & Co.

F. S. Smithers & Co.

B. J. Van Ingen & Co. Inc.

Wm. P. Harper & Son & Co.

Foster & Marshall Inc.
DEALER-BROKER
INVESTMENT LITERATURE
AND RECOMMENDATIONS

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


Bond Market—Review—Salamon Brothers & Hutzel, 60 Wall Street, New York, N. Y. 10005.


California's Financial Industries—Review with particular reference to California Corporate Finance—Emanuel, 6011 Mission Street, San Francisco, California.


Charterfall OTC Chart Book—700 charted for easy reading—Charts including point & figure and bar charts on actively traded industries, banks and insurance stocks—Charterfall, Inc., Dept. CF-3, J. West Avenue, Larchmont, N. Y.—$15.50.


Department Store Stocks—Report—Court & Co., 11 Marietta St., N. W., Atlanta, Ga. 30301.

Funk & Scott Index of Corporations—Index of articles on corporations and industries, and general business subjects taken from over 200 financial publications—Funk & Scott, Inc., Wall Street, New York, N. Y. 10005.

For Banks, Financials, and Institutions—

Currently active stocks in our Trading Dept.:

MOSLER SAFE CO.
CONDUCTION CORP.
TECHNICAL MEASUREMENT CORP.
ETHYL CORP.
C-E-I-R INC.
SWANK INC.
KEWANEE OIL CO. A & B

Trostor, Singer & Co.

Members New York Security Dealers Association

74 Trinity Place, New York 6, N. Y.

Hanover 2-2400

Tel. 321 571-1700; 1781 7828

Chicago & Northwestern—Comments—H. Hertz & Co., 72 Wall Street, New York, N. Y. 10005. Also available are comments on Canadian Pacific.

Chrysler—Comments—Independent Advisors to Investors, 36 West 44th Street, New York, N. Y. 10036. Also available are comments on North American Aviation.

Colonial Board Company—Analysis—Putnam & Co., 6 Central Park Row, Hartford, Conn.

Continental Insurance Company—Analysis—Pollard, Kliett & Co., 110 Old Street, Fayetteville, N. C.

Continental Insurance Company—Survey—Abraham & Co., 120 Broadway, New York, N. Y. 10005. Also available is a survey of Bayou.


Freudhaup Corp.—Analysis—Butcher & Sheerwood, 1500 Walnut Street, Philadelphia, Pa. 19102.


General Shale Products Corp.—Analysis—Gloire, Forgan & Co., 123 South La Salle St., Chicago, Ill. 60603.


Hartford Electric Light Company—Analysis— putnam & Co., 6 Central Park Row, Hartford, Conn.


Hill & Lytron—Analysis—Edward & Hanly, 100 North Franklin Street, Hempstead, N. Y. 10504. Also available are comments on Powers, Kendall & hill, 60 Wall Street, New York, N. Y. 10005.


Minnesota Mining & Manufacturing Co.—Analysis—Halle & Stieg, 21 Wall Street, New York, N. Y. 10005.

National Can Corp.—Analysis—Harris, Upham & Co., 120 Broadway, New York, N. Y. 10005.

Pacific Petroleum Ltd.—Report—Gardiner & Company Limited, 230 Bay Street, Toronto 1, Ont.


Pennsylvania Electric Service Company—Annual and quarterly reports—Southwestern Electric Service Corporation, Mercantile Bank Building, Dallas, Texas 75201.

Texas Inc.—Report—Richard S. Graham, Dept. CFC, Reynolds & Co., 120 Broadway, New York, N. Y. 10005. Also available is a report on General Tire & Rubber.

Trans Coast Investment Company—Analysis—H. J. Henderson & Co., Inc., 621 South Spring Street, Los Angeles, Calif. 90014.


Wurthline Company—Analysis—Hill Richards & Co., Inc., 621 South Spring Street, Los Angeles, Calif. 90014.

Dempsey-Tegeler Branch PHILADELPHIA, Pa.—Dempsey&Tegeler has opened a branch office at 12 South 12th St., under the management of John C. Graham.

Greene & Ladd Office COLUMBUS, Ohio — Greene & Ladd has opened an office at 22 East Gay St., with James M. Mack as registered representative in charge.
Interest Rate Trend May Change Upward by 1964


Mr. Gaines explains why he believes U. S. securities will remain near their present levels for the next few months and why, however, their underlying direction will be upward coming, perhaps, the end of the year or early in 1965.

Rates of return available on U. S. Government obligations have adjusted rather significantly higher over the past year. Yields on short-term securities are generally about half to eighths of a point higher than they were a year ago. Intermediate maturity bonds yield one-eighth of a point more than they did last September. Most of this adjustment has taken place in the past three months. Since June, yields on short-term obligations have increased by about 40 basis points, on intermediate obligations by 20 basis points, and on longer maturities by about 7 basis points.

The principal reason for the recent adjustment in market rates of return was the movement toward tighter money taken by the Federal Reserve System in July. Federal Reserve discount rates were increased from 3% to 3 1/2%, and the availability of reserves to the commercial banking system was reduced. These Federal Reserve actions were responsible for the rising rate trend in short securities. Another important influence toward higher rates at this time on the longer-term obligations, was the Treasury's mammoth advance refunding in early September. As a consequence of this refunding, more than $3 billion 10-year Government bonds were issued, $3.7 billion 10-year bonds, and $643 million 20-year bonds. The placement of this volume of securities in the 5-year and longer maturities has added to the predictable effect on interest rates.

Interest Rate Movement to Date

Recent developments in the Government security market have been an extension of the policies followed by the Federal Reserve System and the Treasury for the past two years and longer. In order to restrain the flow of short-term funds to foreign capital markets in search of higher yields, the Federal Reserve and the Treasury have endeavored to force short-term rates of interest higher in our market. This policy has been eminently successful, and the movement of new funds abroad has doubtless been much smaller than would have occurred if the Federal Reserve had not been increased. At the same time, the monetary authorities have endeavored to maintain an ample availability of credit and to prevent longer-term rates of interest from increasing more than marginally in order not to interfere with domestic economic growth. This aspect of policy also has been quite successful, although intermediate and longer-term rates of interest have tended to edge up gradually during the past year. Side by side with the over-all concern for our balance of payments, and the rate of domestic economic growth, it has been the demand for money which has been most closely concerned about the maturity distribution of the public debt. Only a rather slight further tightening in the availability of bank reserves might lead to a rather pronounced increase in pressure on the banks and, as a consequence, greater pressure on the bond markets.

For these various reasons it may be guessed that the next important movement in interest rates will be toward still higher levels. It would be difficult to guess when this movement might begin, but it could begin before the end of this year or quite early in 1964.


First Gotham Formed

BROOKLYN, N. Y.—First Gotham Investors Planning Corporation has been incorporated at 1649 Flatbush Avenue to engage in securities business. Martin J. Simpkins, President.

Fordson Co. Opens

DALLAS, Texas: Leonard George is conducting securities business from offices in the Merchandise Bank Building, under the firm name of Fordson Company.

Murphy Favre

75th Anniversary

SPokane, Wash.—Murphy Favre, Inc., Spokane, was organized in 1889, and is one of the oldest investment houses on the Pacific coast. The name of the company is derived from the name of its first president, Alonzo M. Murphy. It has expanded to include the operation of a brokerage department, and has also been active in the underwriting of various issues of securities.

Mr. Murphy principally handled the rating of Eastern mortgage money to assist in the expansion of pioneer Spokane. When the city burned in August, 1889, shortly after he had started his activities, he was able to keep in business by placing his debt in a vault and waiting for the ashes to cool.

When Eugene B. Favre joined the company in 1905, activities were expanded to include the underwriting and sale of investment securities which began. A major increase in the mortgage business, which was eventually continued.

The first bonds ever issued by Spokane School District 81 were handled by Alonzo M. Murphy & Co., and Murphy Favre Inc. has continued to be a major participant in bonds issued to finance construction at Whitman College, Washington State University, University of Idaho, Montana State University, Oregon State and other institutions.

In 1923, Murphy Favre Inc. organized the Spokane Bond and Stock Fund, Inc., and in 1949 Composite Fund, which emphasizes investments in common stocks.

George R. Yancey, President of Murphy Favre Inc., has been associated with the firm 42 years; Clara McIlayte, Assistant Secretary and Treasurer, 33 years; H. Phillips Lowry, Secretary, 24 years; and Harold M. Martin, Vice-President, 32 years. Other officers are Leonard H. Angnwall, Lloyd A. Butz, and Roy S. Shew, Vice-Presidents, and Preston E. Macy, Treasurer.

Murphy & Dimpel Formed in NYC

Charles O’Brien Murphy III and Ralph T. Dimpel have formed Murphy & Dimpel with offices at 60 Broad St., New York City, to transact a general securities business. Both were formerly with Mackay & Co. Prior thereto, Mr. Murphy was an officer of Pearson, Murphy & Co., Inc. and was with John R. Boland & Co. and Merrill Lynch, Pierce, Fenner & Beane. Mr. Dimpel in the past was with John J. Laver & Co. and Lubetkin, Begin & Kennedy.

200,000 Shares

Republican National Life Insurance Company

Capital Stock

(1/10 Par Value)

The Shares are to be sold to the several underwriters, including the undersigned, by certain stockholders, a part of the proceeds will be received by Republican National Life Insurance Company.

Price $63.75 per share

The First Boston Corporation
Blyth & Co., Inc.
Sanderl & Company
Goldman, Sachs & Co.
Kidder, Peabody & Co.
Incorporated
Paine, Webber, Jackson & Curtis
Smith, Barney & Co.
Incorporated
Bache & Co.
A. G. Becker & Co.
Incorporated
Equitable Securities Corporation
Hayden, Stone & Co.
Incorporated
Hemphill, Noyes & Co.
E. F. Hutton & Company Inc.
Reynolds & Co., Inc.
Shearson, Hammill & Co.
Incorporated
G. H. Walker & Co.
Incorporated

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

October 9, 1963

Copies of the Prospectus may be obtained from each of the underwriters as are registered dealers in securities in States in which this security may be lawfully sold.

These shares are not being sold or proposed for sale in New York State.
Structural Changes

In British Banking

By Paul Einzig

Dr. Einzig's discussion of significant postwar banking changes in Britain describes the revived inter-user merchant banks making against commercial banks. Nevertheless, the latter two, by being more "free" and more "active" and offer no indication of their work to the merchant banks put the clock back to the 17th century when the opposite situation prevailed.

LONDON, Eng. — Gradually, almost imperceptibly, notable changes have taken place in the British banking organization during the post-war period. Foremost amongst them has been the increase in the relative importance of merchant banks compared with commercial banks. In the old days most merchant banks were family concerns managed by members of the well-known banking families. Already, before the war some of them became converted into public corporations, and even though the original owners retained control, a large proportion of the common stock came to be owned by the public. Other merchant banks introduced new blood by admitting to partnerships people not related to the banking families concerned.

This trend continued after the war. One merchant bank after another issued common stocks and practically all of the old-established firms have become reduced, each one of them having become not only strong but also being leading in the field of domestic financing to commercial banks. Today most merchant banks are actively engaged in domestic financing. Even though their resources are still much smaller than those of big commercial banks, in number of branches, they have become quite active rivals in the domestic field.

The resources of merchant banks have increased to a higher degree than those of commercial banks. This is due partly to the fact that they are not bound by the cartel arrangement between commercial banks which fixes the maximum interest payable on deposits at 2% under the Bank rate of the day. Merchant banks are entitled to offer higher deposit rates and are able in many instances to divert deposits from commercial banks.

In addition merchant banks are more active on the foreign market than commercial banks. It was they who initiated it in 1919 and for a long time merchant banks kept aloof from it. Even now some of the big commercial banks are not very keen on it. The reason for it is that, while their large reserves can be reckoned as part of their liquid resources, they cannot be included as part of their cash reserves which consist of actual cash and balances with the Bank of England. Even though there is no statutory reserve ratio or liquidity ratio in Britain, it is a degree compared with commercial banks that does not allow the ratio of their liquid reserves to their liabilities to decline below 30%. Under this rule a Euro-dollar deposit of $1 million re-enters a banking borrower enables a bank to increase its liabilities by $3.3 million—that is by $3.3 million in addition to the liability represented by the borrowing of the deposit. Commercial banks, on the other hand, are able to reduce their reserve ratio to their liquid reserves to their liabilities, thereby, because they have to keep an eye also on their cash reserve which is not supposed to decline below 20%. It is largely because of this handicap that commercial banks are not nearly so keen on Euro-dollar business as merchant banks.

This does not mean that commercial banks keep off the Euro-dollar market. They can engage in profitable activity by borrowing or lending deposits to merchant banks. The deposits they re-lend cannot serve as a basis for credit expansion.

Another post-war development has been the participation of both types of banks in a number of installment credit finance houses. Some of the banks have actually acquired a controlling interest in these finance houses, while others are content with securing a substantial participation which ensures for them a say in the management. This branch of business has proved to be somewhat dissatisfactory. However, in many instances, because optimistic anticipation about everlasting prosperity in the installment business has failed to materialize.

An entirely new branch of activity for merchant banks has been their role in advising industrial firms in respect of mergers and "take-over bids." From time to time they receive much public attention when they are engaged to advise opposite opponents engaged in hostile bidding for the control of industrial firms. When industrial firms needed advice in such situations, they enlisted the help of lawyers and accountants. It seems that in the meantime the overwhelmingly financial character of the merger movement involved has come to be realized.

While legal advice and advice on the valuation of assets is still essential, advising on the financial aspects of such deals has become much more important. Even the industrials have themselves qualified to perform that function.

Altogether the merchant banks have certain character of the economic situation since the war. They would have, of course, still a long way to go if they tried to recover the prominent position they held during the greater part of the 19th Century. There can, of course, be no question of putting the clock back. Commercial banks have strengthened their total and will always retain their lead and will always retain their lead and will always be the leaders in the modern sense of the word.

With H. C. Wainwright

PORTLAND, Maine — Lloyd A. Holdeman is now with H. C. Wainwright & Co., Casco Bank Bldg. He was formerly with A. C. Allyn & Co.

FROM WASHINGTON...

...Ahead of the News

BY CARLISLE BARGER

Seldom before in history has there been this far in advance so much enthusiasm as there is for Senator Goldwater.

So great is the enthusiasm for him that there is going to be a new identity of this kind. The Senator does not get the nomination. Millions of Americans are sick and tired of the "career politicians" and are voting the Democrats in every election. It will be a clear cut fight and goldwater's cast for all whether the country is conservative or liberal. The issue was almost decided in the 1960 election when the Republican candidates, Nixon, who lost the Democrats at a time when the issue was mixed.

Even so, some development breaks in favor of Senator Goldwater. His name arouses enthusiasm when he is mentioned. The Democrats elected a Governor and a Senator for the first time in many years, although the Republicans were able to re-elect Senator Cot ton and to retain the state's two seats in the House of Representa tives. By and large, the Republicans in New Hampshire have rejected the "establishment" candidates of the establishment. This should be an aid to the Goldwater drive there.

In New Hampshire one of the uncertain factors is former Governor Wesley Powell. His latest statement was that he would not run for the Senate. Governor Cotton is powerful in his state and he should be successful in his fight to be nominated for the Senate. If Cotton wins, the convention will be quite conservative. New Hampshire is the first of the states to hold its convention. Much will depend on whether the National Committee from Ohio, decides to do. There is talk out there of Ohio candidate for Goldwater. Arizona, Senator Goldwater has drawn large audiences; in New Hampshire the Goldwater campaign will be developed.

With H. C. Wainwright

PORTLAND, Maine — Lloyd A. Holdeman is now with H. C. Wainwright & Co., Casco Bank Bldg. He was formerly with A. C. Allyn & Co.

September 30, 1963

53,000 Shares

MILL NATIONAL CORPORATION

Common Stock

HERBERT YOUNG & CO., INC.

80 PINE STREET  NEW YORK S. N. Y.

All of these shares having been sold, this announcement appears as matter of record only.

Cleveland, Ohio. — James R. Mericka, has been associated with the investment firm of Lawrence Cook & Co., East Ohio Building, Clevel, as Executive Vice-President according to an announcement by Donald G. Rundle, President.

Mr. Mericka will assist in the operation of the expanding stock exchange, in which Mr. Mericka is currently President. He was associated with the University of North Carolina in 1951, Mr. Mericka for ten years was associated with Wm. J. Mericka & Co., Inc., founded by his father, with the merger of Hayden, Miller & Co. last July.

Mericka Joins Lawrence Cook

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American Research and Development Corporation was founded in Boston in 1946 to assist "in creating companies on the ideas of new and new techniques of competent men," to invest in "new companies," and to invest in "small or medium-sized companies which appear to have growth potential." How much of the ARD's success has been documented is difficult to say, but the company has grown significantly and has diversified into a variety of fields.

### Stellar Performers

In 1946, ARD invested $200,000 in High Voltage Engineering Corporation, which sold high-speed electronic switches, accelerators and ion propulsion systems. By the end of 1962, the original investment had yielded a total market value of about $10 million and about 86% of the holding was sold off as a dividend to ARD shareholders. The 173,200 HVE shares remaining in portfolio on June 30, 1962, had a market value at that time of $610,000.

### Digital Equipment Corporation

One member of the ARD family of companies that is particularly talked about today is Digital Equipment Corporation, maker of high-speed digital data processing equipment. Digital is a major force in magnetic core memory test equipment. In the computer field, Digital is believed to be comparison with Control Data Corporation, whose corporate growth and market performance have been spectacular.

### Financial Reports

Financial reports on Digital Equipment are not publicly available, but an estimate made by a Wall Street analyst indicated total sales of around $10 million for the year ended June 30, 1963, and an earned surplus of about $2,500,000. At any rate, the 35,000 shares of Digital Equipment Corp. common (60% of voting securities) acquired by ARD at an average price of $70,000 were given a value at June 30 last of $4,200,000. Both the growth rate and profit margins of Digital Equipment are believed to be quite unusual and it can be truly said that it is a pure growth stock.

### The ARD Method

While investor and speculator for decades have avidly sought growth opportunities in young and technological enterprises, the chances of survival, much less success, have always been thin. Only one new company in four is alive on its first birthday; the majority founder principally because of insufficient capital or incomparable management. In the past, ARD has developed a sound method for solving these early stage problems and stimulating the growth of companies and ventures of promise. First it seeks out new or established companies that can use development capital. It screens them according to a list of 15 items, placing heavier emphasis on the character and competence of the management. The board then decides whether ARD can afford the financing of a given project, or whether it can suggest other sources of capital or assistance. If the company venture meets its standards for acceptance and participation then ARD will offer $2,000,000 to $5,000,000. (For instance, the Bonz line where from $50,000 to $1 million) and provide management and technical guidance. The financing provided is usually in the form of non-convertible or redeemable warrants, and or outright investment in equity.

ARD does not seek control of the companies it sponsors although in certain instances where a heavy investment is made, ARD control may be maintained in the interests of the company. As the company grows and prospers, the notes will be paid and the equity holder retained as an additional investor, spun off in whole or in part to ARD's shareholders, sold in private or public markets, or otherwise merged into another concern. ARD does not limit the control it retains over the companies it sponsors. In the event the major corporate objective at ARD is capital appreciation.

### Portfolio

The June report of ARD showed investments in 44 companies covering a wide diversity of fields including technically based companies, publishing, gas gathering, educational supplies, equipment, real estate, and consulting. There are others whose growing pains may last for several years. Because of the wide diversity of investments, however, and the high percentage gains achieved in such as HVO, Inconel, and Cutler-Hammer, etc., ARD common gives its holders not only substantial protection against speculative risk but the interesting opportunities for capital gains.

### Listed Market

Most speculators in early phase enterprises are required to stake their funds in unseasoned individual company shares often with thin and erratic over-the-counter markets. ARD common, on the other hand, is a seasoned security with a proven track record, enjoying an active trading market on NYSE. There are only 1,500,000 shares outstanding so that good news can be quite substantially translated into stimulated market activity. The 1961-63 range of the issue has been between 14 and 42c, against current quotation of 32c.

With a noticeable market re-entrANCE in scientific shares recently, perhaps an analytical look at ARD might now prove timely and possibly gainful.

### Form Carolina Investors

RALIEGH, N. C. — Carolina Investors Corporation has been formed with offices at 120 South Salisbury Street to engage in a securities business. Officers are John C. Smith, President; Melvin C. H. Crowell, Vice President and Treasurer; and M. C. Clymer, Secretary. Mr. Smith and Mr. Clymer are partners in Smith, Clanton & Co.

### By Now Kirchner

DENVER, Colo.—James M. Fleming has become affiliated with Kirchner & Co., 718 Seventeenth Street, He was formerly with Walston & Co., Inc. and prior thereto with Crttenden, Podesta & Miller.

### Hendrix, Mohr & Head Formed

BIRMINGHAM, Ala.—Announcement has been made of the formation of Hendrix, Mohr & Head, Inc., with offices in the First National Bldg., Birmingham, and the First National Bank Bldg., Montgomery, to act as underwriters and distributors of municipal and corporate securities.

### Now Hendrix, Mohr & Head, Inc.

At the head of the new firm are James R. Hendrix, President; Sidney J. Mohr, Jr., and Beverly P. Head, Jr., Executive Vice-President; Edward W. Pennington, Jr., and Peter C. Mohr, Vice-President; N. Coit Hendrix, Secretary, and Miss Mildred Edwards, Treasurer. Mr. Hendrix will be in charge of corporate financing; Sidney Mohr, who will manage the Montgomery office, will be in charge of institutional sales.

### Mesers, Hendrix, Head and Pennington

Messes Hendrix, Head and Pennington and Miss Edwards were formerly officers of Hendrix & Mohr, Inc. Beverly P. Head, Jr., and Peter C. Mohr were officers of Mohr, Thomas & Co., and James R.

Greene was formerly with First Alabama Securities, Inc.

Sidney J. Mohr, Jr., was co-founder with the Board Depart of the First National Bank of Montgomery, leaving the institution in 1934 to form the firm of Kirchner, Hendrix, Mohr & Head, Inc., with offices in the First National and Citizens National Bank of Mobile. In 1935 James J. Hendrix, formerly an investment officer of the Birmingham Trust & Savings Company, joined them in the formation of a firm which later became King, Hendrix & Mohr. In 1942 Mr. King retired from the securities business, Mr. Sidney J. Mohr, Jr., left King, Mohr & Hendrix to enter the Air Force, and some months later Mr. Hendrix formed Hendrix & Mayes, Inc. with Harold B. Mayes. Mr. Hendrix then entered the Navy as a Lieutenant and became Commanding Officer Argus 16, and Air Defense and Fighter Direction Navel Unit.

The formation of Hendrix, Mohr & Head, Inc. unites two partners who have been friendly competitors for 20 years. It is planned to expand the organization to take on additional activities and additional personnel.

Hendrix, Mohr & Head will be a member of both the Midwest and Philadelphia-Baltimore-Washington Stock Exchange and will be a member of the Stock Exchange of the State of New York, the Boston and Pittsburgh Exchanges. Additional emphasis will be placed on brokerage services to handle listed and unlisted securities as well as to continue in the business of underwriting and distributing municipal and corporate securities.

It is announced that Hendrix & Mayes, Inc will remain an active corporate entity, but new business and public sales will be handled by Hendrix, Mohr & Head.

Edward D. Jones Adds PUEBLO, Colo. — William B. Callow has been added to the staff of Edward D. Jones & Co., Bon Durant Building. He was formerly with Peters, Writer & Christensen, Inc.

Sinclair Oil & Gas Company has acquired the oil and gas properties and Boor en Exploratie Maatschappij Drilenco N. V. and G & C International Corporation have acquired the drilling assets of Drilling and Exploration Company, Inc.
Bank Portfolios in Event Of Rising Interest Rates

By Robert S. Damerjian, Assistant Vice-President, J. Henry Schroder Banking Corp., and Schroder Trust Company, New York City

Bank analyst conceives of possible squeeze on available bank funds if interest rates were to rise and banks held back taking losses on their Reg."Q" induced swelling of Other Real Estate and Government portfolios. Mr. Damerjian's paper describes the compositional changes in banks' portfolios and actions taken to recover average returns on loans and to offset costly rising interest rates paid to depositors, and gives more detail on government bonds and other vulnerable securities and portfolio actions.

Not all rising costs to attract time deposits and liquidation losses not be offset by inflow of new funds to hold run-offs to a minimum, thereby reducing additional demand pressure on the prime rate which has not changed since August, 1960, when it was reduced to 4½%. Largely as a result of the change in Regulation Q, effective Jan. 1, 1962, banks have gone several major changes to date, in addition to, on Oct. 15, 1962, holding on rates of interest on time deposits by all of foreign governments, central banks, and other specified institutions. The changes were also for a period of five years. During the term of the authorities, the banks had the effect of attracting some new funds in addition to increasing the的成本 balance already held.

It is still too early to determine what effect Regulation Q (July 17, 1963) will have on bank portfolio operations. With a higher discount rate prevailing, market yields up, better and banks, and the banks having lived with higher interest costs for almost 1½ years, the disinstitution of interest and purchase of municipals, which has occurred since January, 1962, may hold some problems.

Since January, 1962 to date, the over-all situation has generally been in the area of sizable purchases of municipals, substantial reduction of government securities, and lengthening of government and municipal portfolio maturities. Economic conditions during this period, in addition to treasury debt operations, have significantly contributed to the above situation. The rapid growth in savings deposits (including the substantial growth of negotiable certificates of deposit now estimated at $8 billion), has forced increased borrowing and rates coupled with a decline in municipal yields, largely as a result of depressed demand and a decline in other yields, placed banks under severe earning power. For the first time in many years, banks became active in the mortgage market and shipping down yields in this area. In this respect, not only were banks underpriced, but, as in the case of the investment portfolio, maturities were being extended. As a result, commercial banks increased from $30.4 billion at the first quarter of 1961 to $35.2 billion at the first quarter of 1963.

Increased Returns on Loans

The prime rate, which had been reduced to 4½% in August of 1960, continued to hold due to its way into more profitable muni-

The rapid shift among the various maturities clearly points (see charts) to the effects of the change in Regulation Q in January, 1963 as well as advance refundings. Extension of maturities also took place as a result of easier money conditions during most of 1962 in connection with normal bank deposit factors to improve yields. The lengthening of maturities occurred under year-end issues were more than made up in increases in after five-year holdings. Partially as a result of exten-

sion and higher market yields, return on government holdings by member banks was increased from 3.0% to 3.2% during 1962. This extension could last longer in extensions and marketable security yields. Rising some average maturity, which had been 7% higher at the end of the year, a 1½ basis point rise in yield can create almost a point loss.

Some reduction was witnessed in bonds maturing 10 years and over during 1962 due to bank portfolio adjustments, in addition to several issues of optional ½% bonds of 1972 falling under the 10-year maturity range late in 1962.

During the period and for the first 8 months of 1963, banks also extended substantially total holdings of government securities maturing within one year—indicating a reduction in primary reserves to cope with the higher costs. This latter point appears more important than the lengthening of "hot" time deposits as banks rate only as they are attractive against alternative market instruments.

For member banks outside of New York City and in leading cities, one should note the net effect on holdings maturing within one year as of May of 1963.

The nine largest banks in New York from the end of 1961 to the end of 1962 increased the weighted average length of marketable bonds from 24 months to 35 months. Increases were from 5 months to as much as 7 for individual banks. Since January, 1963 to August 30, from information avail-

able, it appears additional length-

ening has occurred, the exact amount in, however, not determin-

able. This is also true in the other various categories of banks outside of New York. This is par-

tially attested by the fact that in August 26, governments maturing within one to five years were larger than securities maturing within one year while at the same time over five-year maturities continued to increase. Lengthening has more than offset the lapse of time which would have caused portfolios to become shorter.

Advance Refunding

A significant portion of the lengthening in bank portfolios was achieved through the four advance refundings offered since January, 1963. It might be noted at this point, the average length of the marketable debt from December 31, 1961 to mid September, 1963 was increased from 4 years 6 months to 5 years 3 months. Largely due to income pressures and the fact that profit could be had to record, advance reden-
ning of long-term debt had a major impact on many banks' income problems. This was particularly true in those instances where low coupon issues (many of which were at current book values) could be exchanged into higher coupons with longer maturities. The "lock in" position may have been the same in terms of market price on the new issue versus the exchanged government, but income was vastly increased with a tax loss on profit postponed. Undoubtedly, banks could have sold for lower prices, and reinvested in higher yielding governments, but this may have reduced even the slight decline in net income (member banks) experienced from 1961 to 1962. Due to other advantages and flexibility inherent in the advance refundings, government portfolios were extended with each of the four offerings since mid June 1963. The lengthening of government portfolios through the advance refunding can only be appreciated by an examination of the published results of each operation. This is clearly revealed by analyzing at the charts illustrat-

ing the continued extension in after five-year maturities and the re-

duction of shorter term obliga-

tions. Sight should also not be lost of other long-term offerings made by the treasury during this period.

Throughout the four advance refundings (pre-refunding, etc.) since Jan., 1962 to date, 11 new or existing issues have been offered, while some 23 issues were eligible candidates, one having been a candidate twice. All but three eligible issues were within the five year maturity range at the August 30 date. Only 7 out of the two of the offered securities matured within five years. Eligible candid-

ates it is true, however, were not permitted to choose any new security they desired, but were restricted by each individual off-

er. Each eligible candidate was offered a higher coupon (up to as much as 1½% higher) on a lower coupon and in three cases the same coupon rate for extensions. Improvement of current income was a prime motive for extended maturities. As a result, commercial banks took up approximately $4.4 billion of issues for extensions with $1.1 billion maturing well over five years, the remaining $3 billion going in the 5 to 10 year range.

Municipal Operations

In search for high after tax yield to match current interest expense, banks after January 1962 vigorously entered the municipal market. These moves were not, however, limited solely to new purchases, but complete portfolio reviews (swapping) in order to lift over-all yields. Starting in January 1962 to December 1962, all insured banks added approximately $4.4 billion to their muni-

cipal portfolios. For that year, this represented 60% of the new gen-

eration bonds sold. Since the beginning of 1963 to the end of the year, insured banks have increased such holdings $1.3 billion,
business conditions appear to have also cautioned some banks recently not to undertake substantial additional lengthening. Recent figures available indicate that reporting banks in 107 cities are reducing their holdings of governments maturing over five years although the latest advance refunding has reversed this trend somewhat. In countless cases, however, the “lock in effect” has already made itself felt by lower market prices, particularly in the larger intermediate bank maturity range. Profits gained early in the year also prevent some selling for tax loss considerations.

Interest rates may rise in coming months faster than the run off of almost five years forcing a squeeze on available funds for loans unless banks are willing to realize losses. Higher rates offered since the July change in Regulation Q by banks for time money should help attract new funds and held runoffs to a minimum, but will be as in 1962 a costly item on year-end reports. The latter in addition to liquidation of securities at losses could place pressure on the prime rate with expansion of commercial loan demand.

**Mil National Corp. Common Stk. Sold**

Hortertz Young & Co., Inc., New York, reports that in recent offering of $3,000 common shares of Mil National Corp., at $4 per share, has been all sold. Net proceeds will be used to reduce bank loans, and to enable Mil National Corp., at $4 per share, to have been all sold.

The company, located at 1101 East Trent Ave, Bronx, New York, is engaged in the independent distribution of commercial dry cleaning and laundry equipment, and related products and accessories. Its operations are conducted principally in New York, Connecticut, New Jersey and California.

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**Is there always a buyer when you want to sell stock listed on the New York Stock Exchange?**

“What if I needed cash... and couldn’t find a buyer for my 100 shares of stock?” It’s a realistic question, and there’s a realistic answer. At the New York Stock Exchange, except in unusual circumstances, someone is interested in buying your stock if you are willing to sell at the best available price on the floor. You may never meet him personally. But he’s there. Maybe among the millions of investors who, through their brokers, buy and sell securities listed on the Exchange, some of the specialists and other members on the floor who buy and sell for their own accounts.

**How do you find your unknown buyer?** By phoning your Member Broker and direct, you and your stock for you. And somewhere (maybe in the next block, maybe thousands of miles away) someone else is instructing his broker to buy.

Minutes later, these two orders will converge at a certain post on the floor of the Exchange in New York... in fact, in an area not much larger than a small-sized rug. Your broker tries to get the highest price possible on the floor, the buyer’s broker tries to get the lowest. Thus buyer finds seller, seller finds buyer.

It is possible, of course, that when your order reaches the floor, there may be an unusually large difference between what is asked and what anyone is willing to pay.

When this happens, a member of the Exchange called a specialist, who specializes in your stock and certain others, is usually expected to enter the picture. One of his objectives is, within practical limits, to make a higher bid or a lower offer. In this way he may help make it possible for your order to be executed at a better price.

And the commission your broker receives is one of the lowest for the transfer of any property.

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**Finding a buyer so quickly and easily illustrates one of the Exchange’s most important functions: providing liquidity. Liquidity simply means you can convert your 100 shares into cash easily. If you have an “odd lot” (less than the usual 100 share unit of trading), a different procedure is followed, but normally your sale can be made with similar ease.**

This liquidity is one reason why millions of people can invest in stocks listed on the New York Stock Exchange. And the willingness of these people to share in the risks and rewards of investing is one reason for the growth of American industry.

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Own your share of American business
Coming Months Look Good For Production and Trade

By Roger W. Babson

Analysis of Census Bureau's consumer buying survey, employment data and other indices reveals they symptomatic good business prospects are in the offing. Mr. Babson is aware of what can change the trend in the months but he is skeptical of the possibility of significant assumptions changing adversely.

There are many methods used to determine what business in general is expected to do next, but none of them are sure—are as those of us in the forecasting business look. However, one barometer of business weather that I always watch with interest is consumer buying intentions. This is published each quarter by the Census Bureau.

Pew-Bus Business Pulse

When you come right down to it, public sentiment is very quick to reflect economic tendencies—even sometimes to direct them. Of course, people simply do not feel like buying, it is pretty difficult to make them buy. And if they do not buy, stores are caught with too heavy inventories, orders die down, production has to be cut back, and unemployment begins to rise. This is some set for a possible recession—or perhaps even for a depression.

Fortunately, however, the opposite is true if the nation's shoppers really want (and are able) to buy. When the future looks promising, and we are sure, this desire to buy can carry consumer resistance almost to the disappearance point. The more buying increases, the more inventories are used up. Then come new prices. This is comforting, insalers, for manufacturers. Production starts to climb, employment expands, and chances of an early recession—or depression—practically vanish for the time being.

How Do Shoppers Feel Now?

This seems like a good time to take a look at the latest estimates of consumer buying intentions, just newly released. Over the next 12 months, more people intend to buy new automobiles than planned to in the previous year. In fact, the Census Department says that 84% of households reporting to it expect to buy new cars. That is the highest level for this time of the year in the history of this statistical series.

I find this situation optimistic because as a great many people are more inclined to pick up a secondhand auto than a new car unless the future looks relatively worse and prosperous. But, right now, intentions to purchase used cars show a remarkable change from a year ago. The emphasis is on new cars—a good sign for business generally in the months ahead.

Buying Intentions for Household Goods

The picture in household goods may not be quite so rosy as that of automobiles, but it reflects a trend in the same optimistic direction. Consumer buying is intended to buy somewhat more household equipment over the next six months than was purchased in the previous period a year ago. Many families also expect their incomes will be enough, so they expect to increase their expenses. As much as figures show that people have stepped up their buying during the past year faster than they have been increasing their disposable income.

Of course, I realize that a sudden

International or financial debacle could make the public money credit plentiful, Russia over her Cuba-planted missiles might put people's purse strings closed for any great length of time.

Employment Will Remain High

Even though unemployment is now the administration a headline today, state employment as yet climbing steadily, carrying incomes higher with them. Except for the relatively few centers of real work scarcity, people expect to hold their jobs. Practically, to hold to their family incomes from time to time, and to be able to afford more luxuries. Better homes, second and (even third) cars per household, brand-new labor-saving devices are all popular expectations for many households today. Fundamentally, business is good; money and credit are plentiful; Russia does not want work, this is an election year, which is always a favorable year, and business. Given co-operation by government, it all adds up to good production and trade in the months to come.

Garvin, Bantel Appoints LaRocca

James V. LaRocca has been named manager of the federal funds department of Garvin, Bantel & Co., 120 Broadway, New York, a wholly-owned subsidiary of the New York Stock Exchange, it has been announced.

In addition to their federal funds department, Garvin, Bantel specializes in dealing with foreign exchange, brokerage, loan securities and financial statements.

Mr. LaRocca joined Garvin, Bantel in 1956 as a registered representative. He was appointed resident manager of the firm's branch office in California. Prior to joining Garvin, Bantel, Mr. LaRocca was with The Hanover Bank in the corporate trust department.

DIVIDEND NOTICE

TENNESSEE GAS TRANSMISSION COMPANY
HOUSTON, TEXAS

The Board of Directors has declared a quarterly dividend of 256 per share on the common stock, payable on October 10, 1963, to holders of record at close of business, October 1, 1963.

DIVIDEND NO. 65

The Board of Directors has declared a quarterly dividend of 256 per share on the common stock, payable on November 10, 1963, to holders of record at close of business, November 1, 1963.

The dividend is payable to the record holders on November 12, 1963, and will be paid on November 15, 1963.

MH. COYER, Secretary

Securing Understanding of Governmental Officials

By Anays Ames, President, Investment Bankers Association of America, and Senior Partner, Kidder, Peabody & Co., New York City

The securities industry is urged to convene a standing group of knowledgeable, thoughtful, senior people from its ranks who would look ahead and advise the Government on its overall policy, etc., without detracting from its traditional independence. In reality, we know how much has been accomplished this past active year, including a temporary stop in a few centers rise in the advice made, Mr. Ames chides the industry for having failed to establish a special committee, with the Government. He cites how, for example, Mr. Greenwald of de Pont was able to overcome an unfriendly governmental attitude by getting the facts to them. This tax impact to illustrate the need for business and Government to understand each other's problems better. We point out that as long as business must live under Government, it won't so distinctly on an "ad hoc" basis and in isolation from other pertinent sectors of the industry.

Fifth: We have appeared before senior officials of the Treasury Department and the Internal Revenue Service to express our concern on what appeared to us as an inequity in the tax treat¬ment of underwriters' stock options. In addition, we have a special industry task force working on a suggested solution to this problem. We hope that we will turn out to be another example of the creative effort of cooperation between business and government.

Sixth: We have prepared testimony for the House Banking and Currency Committee hearings of Oct. 7 against Mr. Saxon's proposal to permit banks to increase their investment in the securities business by underwriting revenue bonds.

Seventh: And finally we have been laying the preliminary groundwork with the commission and giving them the new rules that will develop from the 36 critical points of the S.E.C. Special Report.

These are all important subjects and in each case the way the business government relation is handled can have an important impact on the securities business and the individual firms that constitute it.

We believe we can, if we pass on to the central point of my paper, let me pay tribute to the able, dedicated and committed men who volunteer their services to the Committees and the Government. The business and government cooperation has worked better than either could alone.

Third: We have rallied the industry in the potential presenting the views of our Committee on Taxation.

Second: We have worked with the S.E.C. to get revision of the proposed legislation which will remove the N.A.S.D. and make it possible to spread the high standards of our leading firms to other wide-spread industry. We reached agreement with the S.E.C. in what I believe was almost a model of effective business and government cooperation to accomplish something better than either could alone.

Fourth: We have strongly op¬ posed the Administration's so-called "1963 Tax Equalization Tax" on investments abroad in testimo¬ ny before the House Ways and Means Committee. This was almost a classic case of the damage that is done when government fails to seek out the knowledge of able businessmen before taking action that deeply affects business.

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across this country—the organization to serve an expanding economy. Our independent and separate American banking system is the envy of other countries of the free Western world. Until someone finds another method, I think it is safe to say that government is the only answer. This places a high premium on working effectively with government toward constructive ends.

The Government Commissions, Departments, Agencies, and Banks have to be expected to ideas, to expert knowledge, to experience, for wise policy making, and for effective action in a vacuum. Consultation between a regulated industry and the government is important, and Congress itself is not in any way compromising the independence which Government should have.

Let me, for example, relate the story of Crawford Greenewalt and the DuPont Pill. It is an interesting story that I picked up in Washington and right to the point I am making. As we all know, the Du Pont Company of Delaware had to divest itself of 63 million shares of General Motors stock and it was held that this divestiture would be taxed as income, not capital gain. The government, obviously, in outcome, substantial, established substantial — with the concurrence of the Securities and Exchange Commission. The trial was held and the case was made—one, in the 86th, and one in the 87th Congress. Let me contrast the two cases. In 1945, in the 86th Congress, they had a Republican President, the backing of the Justice Department, the Senate, the Treasury and two Senate Commissioners from Delaware on the Senate Finance Committee. Minimal effort was made by the company because there was no need for it. Everything was fair and right. But the Bill only got through one Senate because one was killed before it reached either floor of Congress. It died a slow and easy death.

Overcoming Unfriendly Attitude With Knowledge

In the next Congress, with a Democratic President, the opposition of the Justice Department, and opposition of Congress and only one Delaware Senator on the Finance Committee—everybody of the Senate was overwhelmingly approved by all committees and by both Houses of Congress and signed by the President.

What made this change? The Company recognized that it had an obligation to secure the understanding of the governmental officials in Washington. It was an immense job to be done in educating Congress on the bill's merits and to persuade and to convince it of its need.

Crawford Greenewalt, then President of the company, took a trip, wrote a book, and went to work. In a door-to-door personal campaign, he outlined, explained, demonstrated and argued their case and with every key member of Congress whose vote was important to the bill. He did not ask his lawyers to do the work. He did it himself. He bore no grudge against the lawyers. He was a man with credentials other than the strong conviction of the righteousness of his cause and the imminence of the American people. He educated, he persuaded, and he was successful.

There is a lesson to be learned in the securities industry. No matter what the obstacles—no matter how special the problem, the government can and will respond favorably and responsibly—it is given the chance. But it needs the backing of the board of directors, the management, the knowledge that only corporate executives at the highest level can provide.

Where Have We Faulted

Now to my point. Since government is here to stay and perform the functions of government, it has to be educated in the function in our business, since new rules and new procedures, result from, and have a bearing on, the preparation, and since the very core of good business government and judgment depends on the interchange of counsel at the highest level, it would seem that the board should place great emphasis on policy formation and governmental relations. But I believe we can be faulted on this very point.

The economic operating unit of the business is the securities firm. The tough, practical operating problems of successful business enterprise are handled by the senior owners and managers of the firms. It is the securities firm that has been our method, that brings in the customers, that makes the savings and the NASD and the Stock Exchanges. The most fundamental rule of all must be that the owners must be found among these managers. But serious question is vested in this point: as the time of crisis as in 1963, the industry has so organized itself so that its legislative and policy wisdom is limited.

In short, that no one of the governing boards of our trade organizations is concerned directly with the very real economic operating unit of the industry—the securities firm or firms. The NASD has a regulatory function on a governing authority from a broadest point of view. The world is there a finer example of busy, able men, devoting their time and energy to the problem of an industry and if the new legislation is passed they will carry an even heavier load. But their focus of necessity is only on the internal aspects of the business, the problems of regulation.

The Boards of Governors of the NASD and the American Stock Exchange are primarily concerned with stock exchange problems. Quite often the points on which these boards are chosen in the locale where the main activity is taking place. Most of the Stock Exchange function—specialists, brokers and partners interested in the commission business in the member firms. One of the prides of our industry is the fact that they are one part of the management of the people that serve on these Boards, but again their focus is largely on one aspect of our business, the Exchange functions.

Continuing IBA's Advisory Council

The Board of Governors of the IBA does not have an operating function, or any function stepped into the breach and I believe that the IBA has formed a most important serv-ice function to connect the NASD and the Exchanges to bring about that difficult but so effective task of coordinating policy. The President of the IBA serves for only one year, and I know that it would be impossible for an IBA Governor to serve for only one year. The Governors are composed of 52 men, elected on an annual and regional basis so that the company of this interlocking body.

To overcome this difficulty, the first step I took was to appoint as President of the IBA, acting with the approval of my Board, to be appointed a committee of 11 to be the Advisory Committee to me as President. The candidates for this committee were carefully chosen from senior managing partners of the right size, width of experience, and then a variety of different firms in this country that the IBA and to reconstitute itself, either as it stands or as the authority was drawn entirely from the prestige of the 11 that served on it. So my function was to express policy opinion on problems facing the industry. Because they were experienced, private security firm managers, their unanimous opinions on policy carried great weight.

In every speech I have made, and especially in my speech last year, I have said that I will spend this policy time on the more important task of the prestige of these men. I have personally never had a complaint from any of them on the more important task of giving shorter meetings and produced more results.

My point in telling the story of the Harding Committee is not to promote that committee—I am not sure even that I know that it will ever meet again. I am sure that I have not consulted it about what I now say. But I do have a suggestion that committee of 11 to be a powerful, advisory and informed Board that will serve the President of the IBA, the President of the SEC and the President of the NASD. It is not enough to have one of our industry managers to make policy decisions for his firm alone. The managing partners have to see the responsibility to the industry in its overseeing or relation to the public. If we allow government to act without the wisest of counsel and expert knowledge, we will fall in all important relationship with government. If we allow too many policy decisions to be made on one section of our business without our policy judgment to the effect of the whole, the other sections of our business, we will find the economy of the operating unit of the industry, the diversified security firm, unnecessarily hurt.

I believe it is noteworthy that the Special Study Group Report of the SEC recommended that a separate division be set up in the Commission to implement the recommendations of the Group and to do forward-looking analysis and planning for the Commission. William O. Douglas, in describing this new unit, said that it believed it was a necessary move that was badly needed, and the SEC, in describing this new unit, said that it believed it was a necessary move that was badly needed, and the SEC had established the new unit. I believe it is the only way that we can most effectively discharge our responsibility for the security business to the government and the public.

REDEMERION NOTICE

HALOID XEROX INC.

(Now Xerox Corporation)

NOTICE OF REDEEMPTION OF

43/4% Convertible Subordinated Debentures Due 1981

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of May 1, 1963, between Haloid Xerox Corporation (the "Company"), and the Chase Manhattan Bank, Trustee, the Company has elected to acquire at the Redemption Price, as defined herein, all of the then outstanding 43/4% Convertible Subordinated Debentures Due 1981 (the "Debentures") at the redemption price of $1,045.00 per $1,000 principal amount of Debentures, together with accrued interest to November 29, 1963.

Redemption Price. For redemption of each $1,000 principal amount of Debentures together with accrued interest to November 29, 1963, if any, ("appurtenant thereto") or on or after November 29, 1963 for redemption at the option of the Company, the Company will pay the holder thereof, together with accrued interest to November 29, 1963 (a total payment of $1,045.00 for each $1,000 principal amount of Debentures).

Interest. Interest represented by the coupon maturing November 1, 1963 will be paid upon the surrender thereof on or after said date.

The right to convert the principal of the Debentures into Common Stock will terminate at the close of business on November 29, 1963. Until the close of business on November 29, 1963, the Debentures are convertible, at the option of the respective holders, into Common Stock of the Company at a conversion price of one share of Common Stock for each $103 principal amount of Debentures converted (the "Conversion Price") or, at the option of the holder, into the Debentures (together with all coupons maturing after November 29, 1963, if any, appurtenant thereto) or on or after November 29, 1963 for redemption at the office of The Chase Manhattan Bank, Trustee, 388 Greenwich Street, New York, New York 10013, payment will be made of the redemption price of the Debentures to be redeemed, plus accrued interest to November 29, 1963 (a total payment of $1,045.00 for each $1,000 principal amount of Debentures).

The Certificate of Depository will be required in order to receive the Redemption Price.

Interest accrued and be paid to November 1, 1963 on any Debenture converted into Common Stock of the Company after the date of this notice, and, accordingly, coupon Debentures surrendered for redemption need not have their coupons payable on November 1, 1963, but will be made for interest accrued after November 1, 1963 on any Debenture converted or (or dividends declared to be payable on such conversion).

No fractional shares of Common Stock will be issued upon conversion of Debentures. The Company, is, by decision of the Board of Directors, will not issue uncashed and non-interest bearing and non-negotiable scrip certificates for such aforesaid Indenture.

IMPORTANT INFORMATION FOR HOLDERS OF DEBENTURES

A. From January 1, 1963 through September 30, 1963, the reported sales prices per share for the Common Stock was based on the average of the bid and asked price as computed by the National Association of Securities Dealers, Inc. of $19.60. The last reported sale price on such Exchange on September 30, 1963 was $39.30 per share. The value of the Common Stock as determined by a sale of such stock at such time can be far in excess of the liquidation value of the Debentures.

B. The holders of such Debentures will receive upon conversion Common Stock having a market value greater than the amount of cash which they would receive upon surrender of their Debentures for redemption.

C. The holder of such Debentures, upon presentation of a Holder's Letter of Transmittal, which may be used to accompany Debentures surrendered for conversion, will be entitled to receive 43/4% Convertible Subordinated Debentures, as described in the Indenture, in lieu of the proceeds realized upon surrender of the Common Stock.

XEROX CORPORATION

By: Joseph C. Wilson, President

Steel Clearings Surge 15% Above 1962 Week's Volume

Bank clearings in the latest Federal Reserve statement for a year ago. Preliminary figures compiled by the Chronicle, based upon telegraphic transfers of the chief cities of the country, indicate that for the week ended Saturday, Oct. 19, 1963, total Federal Reserve clearings were 15% above those of the corresponding week last year.

The chronicle has calculated its principal money centers follows:

<table>
<thead>
<tr>
<th>City</th>
<th>1962 Clearings</th>
<th>1963 Clearings</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York</td>
<td>7,328,690,000</td>
<td>8,533,590,000</td>
<td>16.4%</td>
</tr>
<tr>
<td>Chicago</td>
<td>4,771,900,000</td>
<td>5,465,800,000</td>
<td>14.7%</td>
</tr>
<tr>
<td>Boston</td>
<td>1,928,700,000</td>
<td>2,130,800,000</td>
<td>10.4%</td>
</tr>
<tr>
<td>Philadelphia</td>
<td>839,300,000</td>
<td>934,700,000</td>
<td>11.4%</td>
</tr>
<tr>
<td>Kansas City</td>
<td>425,600,000</td>
<td>483,200,000</td>
<td>13.7%</td>
</tr>
<tr>
<td>Cleveland</td>
<td>351,800,000</td>
<td>402,800,000</td>
<td>14.5%</td>
</tr>
<tr>
<td>Cleveland</td>
<td>351,800,000</td>
<td>402,800,000</td>
<td>14.5%</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>327,500,000</td>
<td>372,300,000</td>
<td>13.7%</td>
</tr>
</tbody>
</table>

Week's 8.3% Steel Output Advance In a Row and Is 7.8% Above Year-Age Week Volume

Steel production in the United States for the week ended May 25 increased 8.3% over the previous week and was 7.8% above the year ago production. The latest week's schedule shows a production of 8,268,000 net tons, compared with 7,639,000 for the corresponding week last year.

Imports Keep Some Prices From Rising

Market observers think the latest steel price increases will spur demand. Their thinking: The inflationary impact on business will not reach its second peak until November; one expects production to reach the January-December level. One major steel firm in the Pittsburgh area says its January production was 10% below the operating rates on its production pace.

Demand for scrap, a steelmaking raw material, has not kept pace with the rise in steel ingot prices due to continued slackness in the economy. One top official reasoned that the steel increases would add new impetus to the pace of the wholesale price index.

But not all price adjustments were upward. Some stainless steel prices were reduced. Distributors for U. S. mills complain they can not compete against service centers that handle certain grades of European and Japanese stainless.

Three major steelmakers have announced plans to reduce their collar employee vacations and some have announced plans to reduce their collateral employee vacations. Some have cut back on working hours. One major steelworker's vacation is expected to be cut back to three weeks, and others are expected to receive more limited vacations.

These and other developments are expected to result in a slight rise in the steel production capacity utilization rate. The current rate is about 10% above the level of 1962, and the future months of industrial activity are expected to show a further increase in steel production capacity utilization rate.
The Security
I Like Best
Continued from page 2

technical competence and a n d mechanical equipment, business acumen, and its policy of geographical diversification with emphasis on operations in foreign fields.

The company's substantial potential as an oil-gas exploration enterprise. (It may be relevant that one of the more publicized independents in the California gas play is appraised at about $100 million in the market place.)

Dividends are conservative, at 7 1/2 cents quarterly, less than 20% of current earnings. A 105% stock dividend was paid in December, 1961 and 50% a year later, the company maintaining the same cash rate as previously on the increased number of shares.

Although the stock is currently traded in the Over-The-Counter Market, the company has just applied for listing on the New York Stock Exchange. Republic National Life Insurance Co.

Capital Stock Sold The First Boston Corp., New York and Sanders Co., Dallas, as managers of an underwriting group have announced the public offering of 200,000 capital shares of Republic National Life Insurance Co. at $50.75 per share.

The stock, which represents approximately 5% of the total outstanding, is being sold by members of the Beasley family including Theodore P. Beasley, Chairman and Chief Executive Officer. No proceeds will accrue to the company. After the offering, Mr. Beasley and his family will continue to own approximately 46% of the company's capital stock.

The company is not authorized to do business as an insurer in New York State, and the stock is not being offered for sale in New York State.

The company, which has its headquarters in Dallas, Texas, is engaged in the writing of individual and group life, accident, sickness, medical and surgical reimbursement, hospitalization and pension insurance. It is licensed and operates in all states of the United States, except New York, and is also licensed and operates in the District of Columbia and Puerto Rico.

As of Jan. 1, 1963, the company ranked 12th among United States capital stock companies in terms of insurance in force and 33rd in terms of admitted assets. Life insurance in force on June 30, 1963 was $3,006,116,764.

Joins Francoeur & Co.

DENVER, Colo.—Charles O. Van Meter has become associated with Francoeur and Company of Chicago, Mr. Van Meter was formerly with Peters, Writer & Christiansen, Inc. and Coughlin and Co.

educational television:

help for busy teachers
hope for crowded classrooms

Today, education in America faces a severe challenge. An accelerating world requires new and broader curriculums. An expanding population begs for more teachers, more classrooms.

Many communities have turned to Educational Television as an imaginative way to expand course subjects, to bring more effective teaching techniques into the classrooms without sacrificing personalized instruction from room teachers.

Because of our long experience in the research and development of telephone, television, and defense communications networks, it was natural that the Bell System was called on to develop facilities for one of the first ETV networks in the country, in Hagerstown, Maryland.

We have since helped pioneer the first statewide, closed circuit Educational Television system, in South Carolina.

In doing this, we have developed a transmission service that is low in cost and makes use of the service and maintenance facilities of local Bell Telephone Companies in communities of any size.

Helping communities like yours find the answer to better learning through ETV is just one more way of putting Bell System research and skills to work serving you and your family.

BELL TELEPHONE SYSTEM
Owned by more than two million Americans
The Market... And You
BY WALLACE STREETER

Stocks continued their dawdling manner for the most of this week, with industrials still hovering around their recent lows without showing any determination to mount a spirited upturn.

For the most part, volume and utility sections were quiet and going along without determination which served as a restraining influence on the senior section. Overall, it was mostly a case of a consolidating phase for a market that had fared well through the first half of the summer for a period of around three months.

As many of the market students were well aware, not point, new all-time peaks in the industrial average in recent years have been followed by a real top, and a major top having reached was but this was still the minor wave.

Most of the market observers were still looking for a reaction in wholesale prices and consequently new record peaks for the industrial average. The unseasonably cool weather has been not enough to cool the general buying interest and there is nothing basic that would warrant any major market readjustment.

As is true of the "market" at any given period, the action of the averages and specific issues bore the unique characteristics of the major top having reached been. Chrysler, for one, again came to life after having been one of the leaders for the market advance. It raced to a new record peak, but it is an indication of a market advancing that of which a part of the average which it is.

An intangible in the market at the moment is the question of the switch in market leadership that will be done this year which is anticipated of lower taxes next year, when such determinations would be as advantageous.

Steel stocks were quiet and occasionally active, and as their recent price increase spurred investment interest. Steel stocks were generally flat. It is possible the cause the industry has not been enjoying the prosperity apparent in other lines. But some favorable comment was starting to appear. It was thought that it could come to life on high hopes for the future.

Tax Cut Beneficiary When the Senate goes lower in the lower tax brackets the thinking was that the real boon would be felt by the home appliance outfits such as Sunbeam which is the leading independent maker of household electrical appliance. It is the maker of a well-known Mis-cer as well as other appliances that have won widespread acceptance.

Sunbeam has compiled an excellent record in sales growth over the years and has been active in cutting to keep its profit picture bright. In its last fiscal year, for example, it was able to boost net income 15% on an 11% jump in sales.

Even without a tax cut, the family consultations in the next several years are more or less a guarantee of a high level of business for the houseware field and make as such as Admiral, May-tag and Whirlpool familiar names on any discussions of various analysts.

Higher Telephone Dividend? American Telephone, which sells net features in market capitalization, was prominent in one of the discussions, particularly since talk of a dividend increase has been prevalent for some time.

Telephone's dividend meeting is slated in about a month dated seasonally popular, and nice, round figure of 84 annually was widely mentioned against the present rate of $3.60, particularly since the earnings have been running at a rate that could be back payment by a considerable margin. This year there has been talk of some type of financing through stockholders that would give them the added dividend income.

A.T.&T. has shown an excellent growth pattern both in its basic earnings and in its participation in space age work. While its outstanding shares increased by some 3% last year, it was able to show record profits per share. And for the future, some analysts were citing average growth rates in per share earnings gains of 5% or more per year.

Look Sharp! Gillette was a debatable issue, and showed it in erratic market action. The thinking in some circles is that Gillette, last to get into the stainless steel razor blade race, will inevitably clip its own profitable normal razor blade line more and more as it succeeds in the market. The contradictory view is that the higher price on the stainless blades will more than offset the drop in sales of normal blades because of the longer usable life of the new version.

On the Defensive Richardson-Merrell was also a wide-open question mark, not so much because it is a good buy because it is the subject of well over a couple of hundred lawsuits. However, it had been in use for a time and form the basis of the suits. It is the target of various other actions, including a government investigation into its introduction of one of the drugs.

What the legal actions have done is to obscure the fact that Richardson-Merrell over the years has compiled a superior growth record. For example, the company has been expanding sales and 11 years of ever higher per-share earnings.

The company's MER/29, which was based on the幻想, was billed as its largest selling ethical drug prior to the war and the fact that it has since been apparent, although more modest. Offsetting any possible worry over the legal action the company is the fact that they would be partially covered by insurance. The company has stated that "loves, if any, in connection to the suits will have a material effect on the company's financial position." So, while there is some uncertainty in Richardson-Merrell's future, there is also a possibility that the company may still be profitable places to put their own considerable resources ($27.49 billion).

In Nashville, Tenn., there is a fund known as Life Insurance Investors, Inc. which owns its 21,551 shareholders of the need to find their own way in this little understood field. The board, which is also Vice-President of Alfred M. Best, insurance publisher, and J. C. Bradtmiller, insurance underwriter, who also is Chairman of the Board of Life & Casualty Insurance Co. of Tennessee, took over.

In its report for the six months ended July 31, Life Insurance Investors showed net income of $39.2 million, a rise of 52.5% from a year earlier and 12.5% since the start of the current fiscal year on Feb. 1. Net asset value per share at July 31 was $32.60 per share, a gain of $2.60 or 8½ percent from $27.49 per share. The fund has assets of $51,309,855, of which 33 are in insurance funds.

New names appearing in the International Funds include the past quarter included Northwest Airline, Pacific Southwest Airlines, United Airlines, N. V. & Vanadium Corp. of America.

A. Invest, Inc., announces that net asset value per share increased to $14.96 from $13.11 during the fiscal year ended Aug. 31. During the period, net assets increased to $1,311,640 from $893,239.

Charles D. Post of Wellesley and Professor John Desmond Glover of Wellesley College, released the past quarter键 of a $600,000 fund, the board of Keystone Custodian Funds. Mr. Post is a senior partner of the Boston law firm of Goodwin, Proctor & Hoar and Mr. Glover has been an expert of the Harvard Graduate School of Business Administration.

Putnam Income Fund reports that at Aug. 31, end of its first quarter period, total net assets had increased to $2,900,000. Asset value per share was increased by the board of directors. The Fund commenced operations on July 3, using an original investment of $227,000, supplied principally by trustees and members of Putnam Management Co., Inc.
Selling Wheat to Russia—
Is the Price Right?

By Dr. Herman H. Browne, Member of the New York Produce Exchange, New York City

Grain economist analyzes the ramifications of U.S.S.R.'s entry into the world wheat market and of the consequences to us should we, too, sell wheat to Russia. Dr. Browne points out that our export subsidies are based on the domestic price, benefits none except our own farmer and is not, therefore, in any way a subsidy to Russia or to exporters.

After long discussions in the press and academic circles between grain exporters with Russian representatives, and after having vainly sought the sentiment of the public, particularly of the farm population of the U.S.A., the Administration seems ready to approve the sale of wheat to Russia. However, a final decision is being delayed until President Kennedy is able to obtain the support of leading Republicans for an approval of the sale.

The purchase of wheat by Russia is due to a statement by the Russians which made it doubtful whether they would want to buy wheat in the U.S.A.

A Welcomed Sale

In any event, from the economic point of view—the only one discussed here—the purchase of three million tons of wheat, valued at about $200,000,000, would be very welcome. We would get rid of burdensome surpluses, the storage and handling of which costs enormous amounts. The dollars or gold we would get in payment will serve as a buffer of payments problem, Russia will also need the feed grains for the growing animal population, and empty stores at the end of this crop year may mean continuing imports next year.

Will Russia buy the wheat in the U.S.A.? In the past, the Government has bought about eight million tons of wheat and flour in Canada and Australia, for warehousing on the domestic market, and on long-terms credits. They also bought flour in Western Europe. By the end of the year, new crops are coming in the Southern Hemisphere.

In various informal statements, government officials and members of Congress talked about the sale of wheat to Russia.

In order to secure for farmers income parity with the industrial sector of the economy, the Government started at a time when grain prices collapsed all over the world—last year, the Government bought grain at a support price much higher than the U.S. Government.

In this respect, it is evident that the Government is ready to buy the grain which cannot be sold through the Government channels at the support level. The support prices induced farmers to allocate more land to wheat, and have been necessary to cover domestic requirements and huge surpluses were created. To make the export of a part of the surplus possible, our Government instituted the system of export subsidies. The export subsidy paid the exporter of wheat from the support price to the domestic market price, and thus in the difference between the domestic market price and the support price to the lower international price at which it is sold.

No Subsidy to Russia

The export subsidy is nothing else than a refund by the Government of that portion of the domestic price which the farmer is guaranteed in the form of a support price above the international price level. This is the way Government fulfills its guarantee of a minimum support price for wheat, which is exported.

Were the grain not exported the producer may have to buy at the support price which includes the difference over the may international price. The export subsidy is clearly not benefiting the exporter nor the foreign importer. It is paid by the Government and received by the farmer.

As long as grain can be bought somewhere else, no foreign buyer would agree to the price at which we support our farm economy. The sale of subsidized wheat is, as a Senator said, "in effect a subsidy to Russia of more than one hundred million."

West Germany, France and other countries have sold about one million bushels of wheat to Russia. (The larger part of that comes from West Germany.) The Chancellor Adenauer objects so emphatically to this European policy, he even has talked about a European price policy (how ironic!) West Germany and Italy are regular buyers of our wheat. Moreover, the export of wheat from the United States to Russia may mean a crop year and a country and may be unmarketable.

West Germany, France and Italy also have paid for our wheat at a price below the domestic price.

Mr. Khrushchev's statement that his country has bought enough wheat to carry it over until the next crop comes in, could not be a rejection of an offer under consideration based on the domestic price level. Still, it does not seem to close the door for a deal under an agreement similar to the grain purchase agreement, if a similar agreement, which is the official press agency, just published a report that this year domestic grain supplies available to the Government will be 18% lower than supplies in 1962.

A Reuters's dispatch from Moscow said; bread was rationed and flour was apparently unobtainable here.

Below International Wheat Agreement Price

This year the demand for our wheat from Europe, including Crete, Greece, Hungary and Bulgaria, will be much larger. Due to this increased demand international prices are higher already and may still go higher. The world wheat market is, therefore, the main variety exported, is presently above 25% of the domestic price. The deficit subsidy the wheat still sells below the maximum price stipulated in the International Wheat Agreement which exists between the largest wheat exporting and importing countries. As the International price goes up the export subsidy could be reduced to a minimum price.

One of the major objectives of U.S. wheat exports in the near future is to increase the production of wheat in a number of countries. At the end of September Q in July is expected this year would save our Government much more than the costs of a subsidy on 100 million bushels exported to Russia. The maximum price on a commercial basis of supply and demand.

Clark Joins Staff

Mr. Clark has joined the staff of Merrill, Turben & Co., Inc., as senior vice president. Mr. Clark has been active in the Cleveland investment community since he was a member of the founders of Fales & Co., an investment advisory firm, and during World War II served as an investment counselor to the chairman of the Board of Directors of the Cleveland Trust Co., a member of the research board of the Federal Reserve Bank of Cleveland and a member of the Federal Reserve Board of Education.

Mr. Clark has served on committees of the Cleveland Chamber of Commerce and the Citizens League, participated in the establishing of the Ohio Municipal Advisory Council, and was originally selected by the Board of Education of the Cleveland Public Schools to serve as a member of the committee which was responsible for the setting of the Shaker Heights Board of Education.

He is a member and past president of the Cleveland Bond Club and has held many posts in the Investment Bankers Association of America, including serving as group chairman, national chairman and a member of the national Board of Governors, and vice-president.

Form Modern Security

EAST ORANGE, N. J. — Modern Security Insurance Co., with headquarters at 4600 River Rd., has been organized with offices at 110 Halsted St., to conduct a securities business. Mr. Albert Goodwin will be president; Samuel M. Sacher, secretary and treasurer; and Leo Prager, vice-president.
Providing S & L Assns. With Broader Investment Powers

By Dr. Grover W. Eskey, Executive Vice-President, National Association of Mutual Savings Banks, New York City

S & L Associations, presently limited for the most part in one simple investment outlet, can get out of their inflexible position and still remain thrift institutions by becoming banks. Congress has already voted the provision into law. In fact, they are encouraged to do so by Dr. Eskey, who contrasts portfolio composition of the banks and thrifts and provides study, that a greater diversification would accord to the S & L Associations, as well as to the economy, and cautions that the unusual postwar attributes of mortgage investments were inappropriate.

The advantages of so-called thrifts point out that compulsory specialization in home mortgages has made for instability in its long-run growth rate, and cites several prominent growing views on the subject.

In the postwar era, savings and loan associations might develop two basic functions: first, they have financed and purchased housing and, second, the Federal Reserve System has stimulated savings by reducing borrowing rates. Each of these activities indicates the need for a larger and more varied range of investments and loan management. The essential question is whether these activities will, for one type of institution, conflict with the private activities of the other.

Looking to the future, however, and the background of recent developments, is it reasonable to expect specialization of home finance institutions? There are special circumstances to continue? Will savings and loan ability be sufficient to meet the objective of maximizing thrift with singular specialization? Will it be possible to meet this need for parallel expansion of savings inflows on the one hand, and housing, savings, and loan management on the other?

Whether new and vigorous entrants into savings and mortgage markets—leading to reduced competition for the post-World War II savings and mortgage market—will take on all the other characteristics of a bank—nucleo-enterprise, responsibilities, as well as the broader powers we are proposing?

One prominent savings and loan manager, Mr. A. D. Thoebald, President of the First Federal Savings and Loan Association of Peoria, Illinois, expressions his support for each one of these objectives simultaneously—personal, new and vigorous enterprises into savings and mortgage markets lead to reduce competition for the post-World War II savings and mortgage markets.

With regard to the savings and loan institutions, Peoria will convert to a Federal charter under the post-WWII legislation; it seems to me the benefits to the whole central Illinois area, to our members...are obvious."

Advantages to S & L Associations

Broadened bank investment powers, feasible for savings and loan associations through Federal chartering legislation, have important advantages for the individual and the national economy. The advantages for the institution may be summed up in two points:

1. Investment risks would be focused in periods of slacks, such as savings inflow and mortgage repossession, in excess of new mortgage demand could be channeled through savings inflow and mortgage repossession.

2. Long-run earning power would be strengthened because funds could be allocated more readily among competing investments in accordance with market price relationships and the relative earnings they command.

Additional benefits on the level of building activity would be reduced and long-run variability in growth will be lessened.

(4) Ability to promote thrifts continuously, despite fluctuations in earnings and community activity, would be strengthened.

Advantages to the Economy

For the economy, a better balance in investment power through conversion of savings and loan associations into savings banks would have the following advantages:

1. Excessive mortgage credit expansion in periods of low housing demand would be avoided, directly influencing the overall strength of the financial system.

2. Flexibility and fluidity of the nation's capital markets would be encouraged.

3. Increased inflows and capital formation would be fostered, thereby accelerating economic growth.

Effect on Asset Composition

The transition between the diversified investment powers of mutual savings banks and the investment powers of savings and loan associations is mirrored by diversified composition of assets held by the two types of institutions as shown in Table I. Savings banks represented nearly 70% of total assets of mutual savings banks and 62% of savings bank mortgages accounted for 44% of mortgage assets of savings and loan associations, while securities accounted for less than 6%.

With the change in savings bank investments it is evident within mortgage and security replication of substantial amounts of multifamily residential and nonresidential housing. Savings banks have at multiple times as large relative total assets as those of savings and loan associations. In states, savings banks also make heavy investments in corporate stocks and state and municipal obligations accounted for 17% of the savings bank assets. In contrast, securities held by savings and loan associations were less than minor exceptions, excluding U.S. Government.

The Federal charter law is adopted in approximately its form in the Mutual Savings Banks and Loan Association of Peoria will convert to a Federal charter under the post-WWII legislation. It seems to me the benefits to the whole central Illinois area, to our members...are obvious."

TABLE I

<table>
<thead>
<tr>
<th>Asset Items</th>
<th>Savings Banks</th>
<th>Savings and Loan Associations</th>
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</thead>
<tbody>
<tr>
<td>Mutual Savings Banks</td>
<td>91.8%</td>
<td>42.6%</td>
</tr>
<tr>
<td>Savings and Loan Banks</td>
<td>58.2%</td>
<td>29.2%</td>
</tr>
<tr>
<td>Federal Reserve System</td>
<td>10.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Other Agencies</td>
<td>20.0%</td>
<td>20.0%</td>
</tr>
</tbody>
</table>

* Includes small amount of farm mortgages not shown separately. Total is net of deduction of reserves; components are gross figures before deduction of reserves.

<table>
<thead>
<tr>
<th>Percentage Composition of Assets</th>
<th>Savings Banks</th>
<th>Savings and Loan Associations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities</td>
<td>20.0%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Loans</td>
<td>60.0%</td>
<td>37.0%</td>
</tr>
<tr>
<td>Investments</td>
<td>20.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Government Securities</td>
<td>10.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

With respect to provision for risks, there is little disagreement that broadening powers will be superior to narrow specialization in a single type of investment and will provide a superior instrument to the Federal Reserve System, Federal Home Loan Bank Board and National Association of Mutual Savings Banks.

Continued on page 42
Rochester Gas & Electric

Rochester Gas & Electric serves electricity, gas and steam to the city of Rochester and to adjacent areas which are interconnected. Revenues are about 96% electric, 3% steam, 1% residential, industrial and commercial. Rochester is the third largest city in New York State. Its diversified industrial establishments. It is noted as the home of Eastman Kodak Co., a photographic equipment and optical instruments, electrical machinery, food products and wearing apparel are important industries. The diversity of light industry, consumer products, the city of Rochester, industrial equipment

Hayden, Stone and Westheimer Co., To Consulate

Alfred J. Coyle, President of Hayden, Stone & Co., Incorporated, 25 Broadway, New York City, and Charles I. Westheimer, managing partner of Westheimer and Company, 124 East 4th Street, Cincinnati, have announced the consolidation of the two New York Stock Exchange member firms.

Earnings on the common stock have shone good gales, averaging a墉 yearly compounded increase of 7.5% for 1961-92 compared with 1966-7. However, adjustment to normalize the tax savings resulting from the use of accelerated depreciation has been reduced by $500,000 per annum, to about 5 cents a share on the common stock.

The company apparently has no regulatory problems at this time. As of March 31, 1963, Standard & Poor's reported that it was earning 6.1% on year-end net plant, which included however it flowed through of tax savings. In 1962 the Federal Power Commission investigated the company's gas rates and ordered a reduction of $500,000 per annum, equivalent to about 5 cents a share on the common stock.

In the company has been making a good showing this year. For the 12 months ended June 30, 1963, electric revenues were up nearly 9% and gas nearly 9%.

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The OTC Market: Coast-to-Coast Shopping Center for Quality Issues

Continued from page 1

issues. Further, the Commission favors more of the kind of company financial communication required of listed issues—complete financial statements, specific proxy rules and reporting of insider trading. As a start, the SEC recommends that OTC companies with over $1 million in assets and over 100 shareholders fulfill the foregoing requirements. These proposals, in the main, seem to do their best in the investor's interest, and there can be no doubt that corporations and stockholders alike benefit from a correct and continuous flow of publicity that can broaden the interest, and stimulate more active trading, in a company's securities. But daily market activity in an issue will continue to depend on the status of the company, the number of shares outstanding, and the extent of distribution among many stockholders.

Excellent Performers

Having commented on some of its technical shortcomings, it is quite proper to cite the areas in which the OTC market is performing its functions with great efficiency and distinction. It continues to provide the indispensable market place for municipal issues, and the national area for trading government bonds, often several billions in a single day. You have noticed the return to popularity of the preferred stock, particularly the convertible variety, as a unit of exchange in mergers. Here again the OTC market performs well and the major portion of all trading in preferreds, particularly purchase or sale in blocks by institutions, is done OTC. And corporate bonds have the OTC market arena as their native habitat.

Life Insurance Stocks

In recent months there has been a greatly broadened investor interest in life insurance stocks, and a number of these issues now sell at all-time highs. Particularly in demand have been Travelers, Franklin, Republic National, Continental Assurance, Connecticut General, Philadelphia & Ohio Life, American National and Lincoln. All of these trade daily Over-the-Counter, and nowhere else. In fact, of some 1,325 stock life companies, none is listed on any exchange and though some are closely held, there is fairly active trading in over 100 different issues. Although the shares of some fire and casualty companies are listed on exchanges, most of these issues, too, are traded OTC.

Utilities

There are quite a number of utility companies, including some large ones, which trade regularly OTC. For example, Connecticut Light and Power Co. and Pacific Power and Light, both grossing over $10 million in revenue, are actively traded and quoted OTC. Other representative issues thus traded include Central Maine Power, Kentucky Utilities, Portland General Electric, Wisconsin Power and Light, Tucson Gas and Electric and El Paso Electric. Equally, among others, there are other major companies in the water, pipeline and telephone companies whose shares have for years been quoted and traded only Over-the-Counter.

Banks

The same market situation exists in operating banks as in life shares, and in life shares OTC and none is listed on any Exchange. Increasingly bank stocks, formerly held mainly by the rich, are being bought by investors of modest means. Many individuals now fail to have any stock in the banks where they have their saving or checking accounts. As a result bank stocks are in strong demand and are quoted in between 18 and 20 times earnings. The selection among bank stocks is magnificent, including such titans as Bank of America (the largest), Chase Manhattan, Manufacturers Hanover, First National City, Mellon National, Continental Illinois, Security First National and Morgan Guaranty Trust. To invest in all or any of these great institutions, and other excellent but less well known ones, there is only one place you can shop—Over-the-Counter.

Panoramic Issues

Diversification has always been a cardinal principle in investing. If it's diversification you seek, you can get it in profusion OTC, with over 40,000 different issues to choose from. The leading commentators and arbiters of business and investment opinion are Dow Jones (Wall Street Journal), Dun and Bradstreet (credit experts) and Standard and Poor's (largest investment advisory service). You can buy stocks in all of these. OTC Avon Products sells the most in cosmetics; O. M. Scott leads in lawn seed and feed; Holiday Inns is the major in motels; Cummins Engine is the top diesel manufacturer; Pabst and Anheuser-Busch are ahead in brewing; Diebold and Mosler are the majors in vault protection; Grinnell world leader in fire protection; Time, Inc., is the premier magazine publisher; American Express is biggest in travel and credit cards; Weyerhaeuser, tallest timber company; and Frito-Lay definitely in the chips. The shares of all these renowned and successful companies are bought, sold and quoted Over-the-Counter exclusively.

Wide Price Range

As for price ranges, you can buy an elegant equity like Kansas City Life at $3,200 a share or you can buy a hopeful can of the future of pay television in the company holding some basic patents, Skiatron, at $2 a share. There's an OTC stock for every purse and purpose and more every month as more corporations go public. The OTC market opens up around 9 a.m. in New York and may still be active 11 hours later in San Francisco. This market network has no official opening or closing hours, has more than 5,000 trading desks, but no central trading area. We expect progress in the OTC market; more issues quoted in financial sections; and probably, later on, some system of reporting opening and closing prices and daily range and volume on the most active issues. Meanwhile, we will continue to rely on and benefit from, the faithful making and maintenance of markets by responsible and dependable broker/dealers, hundreds of them also exchange members, who make the OTC market a vast and continuous shopping center for every kind of security. Some of these issues, as you will note from the appended list, have rewarded investors by paying cash dividends, without skipping, for as long as 179 years!

Difference Between Listed and OTC Trading

Following the accompanying tables, we present a discourse on the difference between the listed and Over-the-Counter Market, for the benefit of those who are not conversant with how the Over-the-Counter Market functions.
### TABLE 1

**OVER-THE-COUNTER**

**Consecutive Cash DIVIDEND PAYERS for 10 to 179 Years**

<table>
<thead>
<tr>
<th>Stock</th>
<th>Cash Div.</th>
<th>Date</th>
<th>Quote</th>
<th>Paydate</th>
<th>Appr.</th>
<th>Dividend</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1962</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Abercrombie &amp; Fitch Co.</td>
<td>28</td>
<td>0.25</td>
<td>25</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acme Electric Corp.</td>
<td>24</td>
<td>0.28</td>
<td>11</td>
<td>2.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Atex Casualty &amp; Surety Co. (Hartford)</td>
<td>29</td>
<td>0.91</td>
<td>108</td>
<td>0.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Atex Life Insurance Co. (Hartford)</td>
<td>29</td>
<td>1.65</td>
<td>161½</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural Insurance Co.</td>
<td>99</td>
<td>0.80</td>
<td>40</td>
<td>2.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alabama-Tennessee Natural Gas Co.</td>
<td>12</td>
<td>1.20</td>
<td>28</td>
<td>4.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alamo National Bank (San Antonio)</td>
<td>27</td>
<td>1.15</td>
<td>53</td>
<td>2.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alba-Waldenstain, Inc.</td>
<td>23</td>
<td>0.40</td>
<td>6½</td>
<td>6.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Albany &amp; Vermont RR. Co.</td>
<td>36</td>
<td>2.25</td>
<td>48</td>
<td>4.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alexander Hamilton Institute Inc.</td>
<td>17</td>
<td>1.00</td>
<td>25</td>
<td>4.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>American Fluorite</td>
<td>12</td>
<td>0.90</td>
<td>41½</td>
<td>2.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>American Life Insurance Corp.</td>
<td>22</td>
<td>0.78</td>
<td>19</td>
<td>4.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>American Paint &amp; Trust Co.</td>
<td>20</td>
<td>0.30</td>
<td>1½</td>
<td>5.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>American Pipe &amp; Construct'n Corp.</td>
<td>88</td>
<td>0.80</td>
<td>22</td>
<td>3.6</td>
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</tr>
<tr>
<td>American Pipe &amp; Construct'n Corp.</td>
<td>11</td>
<td>0.28</td>
<td>4½</td>
<td>6.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>American Radiator &amp; Standard Sanitary Corp.</td>
<td>33</td>
<td>0.11</td>
<td>22¼</td>
<td>4.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>American National Bank &amp; Trust Co. (Dallas)</td>
<td>47</td>
<td>2.00</td>
<td>85</td>
<td>2.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>American National Bank &amp; Trust Co. (Chicago)</td>
<td>28</td>
<td>0.60</td>
<td>650</td>
<td>0.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>American Steamship Co.</td>
<td>55</td>
<td>28.00</td>
<td>515</td>
<td>5.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>American Veneer &amp; Insulator Co.</td>
<td>23</td>
<td>0.20</td>
<td>5½</td>
<td>3.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>American Express Co.</td>
<td>26</td>
<td>1.00</td>
<td>24</td>
<td>4.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>American Forest Products Corp.</td>
<td>18</td>
<td>0.75</td>
<td>15½</td>
<td>4.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>American Greeting Card Co.</td>
<td>34</td>
<td>0.15</td>
<td>53½</td>
<td>2.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>American Home Assurance Corp.</td>
<td>20</td>
<td>0.25</td>
<td>10½</td>
<td>7.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>American Iron and Steel Co.</td>
<td>26</td>
<td>0.40</td>
<td>8</td>
<td>5.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>American Sugar Refining Co.</td>
<td>32</td>
<td>0.80</td>
<td>23</td>
<td>4.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amoco Corp.</td>
<td>36</td>
<td>0.50</td>
<td>14½</td>
<td>7.1</td>
<td></td>
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</tr>
<tr>
<td>Arkansas-Missouri Power Co.</td>
<td>26</td>
<td>10.54</td>
<td>16½</td>
<td>3.2</td>
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<tr>
<td>Associated Indemnity Co.</td>
<td>19</td>
<td>1.00</td>
<td>14½</td>
<td>7.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aspirin Co.</td>
<td>28</td>
<td>0.25</td>
<td>25</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Atlantic Refining Co.</td>
<td>22</td>
<td>0.78</td>
<td>19</td>
<td>4.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Atlantic Richfield Co.</td>
<td>20</td>
<td>0.30</td>
<td>1½</td>
<td>5.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Atlantic Richfield Co.</td>
<td>11</td>
<td>0.28</td>
<td>4½</td>
<td>6.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Atlantic Richfield Co.</td>
<td>33</td>
<td>0.11</td>
<td>22¼</td>
<td>4.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Atlantic Richfield Co.</td>
<td>47</td>
<td>2.00</td>
<td>85</td>
<td>2.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>American National Bank &amp; Trust Co. (Chicago)</td>
<td>28</td>
<td>0.60</td>
<td>650</td>
<td>0.9</td>
<td></td>
<td></td>
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<tr>
<td>American Steamship Co.</td>
<td>55</td>
<td>28.00</td>
<td>515</td>
<td>5.4</td>
<td></td>
<td></td>
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<tr>
<td>American Veneer &amp; Insulator Co.</td>
<td>23</td>
<td>0.20</td>
<td>5½</td>
<td>3.8</td>
<td></td>
<td></td>
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<tr>
<td>American Express Co.</td>
<td>26</td>
<td>1.00</td>
<td>24</td>
<td>4.2</td>
<td></td>
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<tr>
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<td>18</td>
<td>0.75</td>
<td>15½</td>
<td>4.7</td>
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</tr>
<tr>
<td>American Greeting Card Co.</td>
<td>34</td>
<td>0.15</td>
<td>53½</td>
<td>2.9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Details not complete as to possible longer record.
*Adjusted for stock dividends, splits, etc.

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**SINGER, BEAN & MACKIE, INC. NEW YORK * PHILADELPHIA**

Members New York Security Dealers Association

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**Direct Wires to**

- Burton J. Vincent & Co. Chicago
- Joseph, Mellen & Miller, Inc. Cleveland
- A. G. Edwards & Sons Dallas
- Evans MacCormack & Co. Los Angeles
- Birr, Wilson & Co. Inc. San Francisco
- Stifel, Nicolaus & Company, Incorporated St. Louis
- Jones, Kreeger & Co. Washington
BANK & INSURANCE STOCKS
OVER-THE-COUNTER SECURITIES
CHRISTIANA SECURITIES CO.

<table>
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<th>COMMON</th>
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<td>Bank of Commonwealth (Detroit, Mich.)</td>
<td>1.92</td>
</tr>
<tr>
<td>Bank of Delaware</td>
<td>1.40</td>
</tr>
<tr>
<td>Bank (The) of New England</td>
<td>13.50</td>
</tr>
<tr>
<td>Bank of the Southwest National Association, Houston</td>
<td>1.60</td>
</tr>
<tr>
<td>Bankers &amp; Bond Mortgage Guaranty Co. of America</td>
<td>0.50</td>
</tr>
</tbody>
</table>

The Commercial and Financial Chronicle ... Thursday, October 10, 1963

The Over-The-Counter Consecutive Cash Dividend Payments From 5 to 10 Years Appear in the Second Table Starting on page 33.

Brown & Sharpe Mfg. +27 1.20 40 3.0

Whistle Drug Co. +2 0.85 17 1/4 4.9

Bryan Malt & Rum Corp. (Pa.) +29 1.95 55 1/2 3.7

Buchanan Steel Products Corp. +18 0.25 6 1/4 4.0

Buck Creek Oil Co. +22 0.04 1 1/2 4.6

Buck Hills Falla Co. +36 0.40 15 5/8 5.0

Buckeye Steel Castings Co. +26 1.50 24 1/4 6.2

Burnham Corp. +16 1.25 21 6/0

Corner Oil Distributors +9 0.20 1 1/4 4.8

Business Men's Assurance Co. of America +31 0.50 75 1/2 0.5

Butler Manufacturing Co. +25 1.95 32 6.1

Calgon Corp. +28 1.15 31 3/8 3.6

*Details not complete as to possible longer record.
+Adjusted for stock dividends, splits, etc.

Drennan Appointed
By G. H. Walker

made by William H. Birzby, a managing partner of the investment banking firm.

For the past nine years, Mr. Drennan has been associated with the St. Louis office of Merrill Lynch, Pierce, Fenner & Smith, Inc. In addition to his executive duties at G. H. Walker & Co. he will personally handle both individual and institutional accounts.

1930 TRADING MARKETS
1963

OVER-THE-COUNTER SECURITIES

Greene and Company

Members New York Stock Dealers Association

37 Wall Street, New York 5, N. Y.

Tel. NA 4-8580 Teletype 212-571-1120

5 TRADING MARKETS

ST. LOUIS, Mo. — Quintus L. Drennan, Jr., has been appointed Assistant Sales Manager of the St. Louis office of G. H. Walker & Co., 500 Locust Street, members of the New York Stock Exchange. The announcement was

CORRESPONDENTS

BUCKNER, JACKSON & GRAY, INC.
WM. H. TIGHTGIETER & CO.
WHITE & CO.

PUTNAM & CO.
HARRY C. DACKERMAN & CO.

BUTCHER, JACKSON & GRAY, INC.
Los Angeles, Calif.

Chicago, Ill.


ST. LOUIS, Mo.

Chicago, Ill.

Cleveland, Ohio

Baltimore, Md.

F.o.b. Chicago

Chicago, Ill.

Baltimore, Md.

A new Associate Sales System for New York

in addition to his executive duties at G. H. Walker & Co. he will personally handle both individual and institutional accounts.

Chicago—First Securities Company of Chicago
Cleveland—Hayden, Miller & Co.
Los Angeles—Mitchum, Jones & Templeton, Incorporated
Miami—Oscar E. Doody & Co.
St. Louis—Henry, France & Co.
San Francisco—Mitchum, Jones & Templeton, Incorporated

Direct private telephones: Philadelphia—WAllent 2-1514

OTC Market: Shopping Center For Quality Securities

Continued from page 23

Cash Div.

No. Cen-

as

Cash Div.

No. Cen-

as

Apprais.

Cash Div.

No. Cen-

as

Apprais.

Cash Div.

No. Cen-

as

Apprais.

Cash Div.

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Cash Div.

No. Cen-

as

Apprais.

Cash Div.

No. Cen-

as

Apprais.


**Troster, Singer & Co.**

74 Trinity Place, New York 6, N. Y.

---

**Private Wires to:**

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<td>Atlanta</td>
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<tr>
<td>Chicago</td>
<td>Philadelphia</td>
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<tr>
<td>Cleveland</td>
<td>Pittsburgh</td>
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<tr>
<td>Dallas</td>
<td>Indianapolis</td>
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<tr>
<td>Dayton</td>
<td>Portland, Ore.</td>
</tr>
<tr>
<td>Detroit</td>
<td>Kansas City, Mo.</td>
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<tr>
<td>Grand Rapids</td>
<td>Los Angeles</td>
</tr>
<tr>
<td>Milwaukee</td>
<td>San Antonio</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>San Francisco</td>
</tr>
<tr>
<td>St. Louis</td>
<td>St. Louis</td>
</tr>
<tr>
<td>Washington, D. C.</td>
<td>Washington, D. C.</td>
</tr>
</tbody>
</table>

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**OTC Market: Shopping Center For Quality Securities**

<table>
<thead>
<tr>
<th>Cash Div.</th>
<th>Name</th>
<th>Extra for Dividend</th>
<th>Dividend Date</th>
<th>Ex-Div Date</th>
<th>Stock Price</th>
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<td>0.10</td>
<td>American Home Products, Inc.</td>
<td>0.00</td>
<td>9/15/63</td>
<td>9/12/63</td>
<td>8.00</td>
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<tr>
<td>0.05</td>
<td>American Potash Corp.</td>
<td>0.00</td>
<td>9/15/63</td>
<td>9/12/63</td>
<td>2.00</td>
</tr>
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**Volume 198 Number 6306 . . . The Commercial and Financial Chronicle**

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**Federal Reserve Bank of St. Louis**

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**Image 0x0 to 751x1000**
OTC Market: Shopping Center
For Quality Securities

Over-The-Counter Consecutive Cash Dividend Payments From 5 to 10 Years Appear in the Second Table Starting on page 38.

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SAN JOSE • PALO ALTO • Oxnard • TACOMA • SALT LAKE

Unadjusted for stock dividends, splits, etc.

Distribution rate in the semi-annually. An extra of $1 was paid on June 1, and a 50 extra on Dec. 1. Yield is based on regular payment.
OTC Market: Shopping Center For Quality Securities

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<td>Holyoke Water Power Co.</td>
<td>93</td>
<td>1.25</td>
<td>53</td>
<td>2.9</td>
<td>2.30</td>
<td>76</td>
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<td>Home Insurance Co. (N. Y.)</td>
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<td>1.35</td>
<td>30</td>
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<tr>
<td>Huber Co., class A</td>
<td>20</td>
<td>1.10</td>
<td>33</td>
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<td>Hotel Barrington, Inc</td>
<td>32</td>
<td>1.40</td>
<td>50</td>
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<td>Hotel, Syracuse, Inc.</td>
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<td>1.20</td>
<td>30</td>
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<td>Harold &amp; Allison Co.</td>
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<td>1.50</td>
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<td>Howard &amp; Allison Co.</td>
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<td>Hoover Co., class A</td>
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<td>1.10</td>
<td>33</td>
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<tr>
<td>Hotel, Syracuse, Inc.</td>
<td>32</td>
<td>1.20</td>
<td>30</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Notes
- Details not complete as to possible longer record.
- Adjusted for stock dividends, splits, etc.
- Including Preferreds.

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- Markets during the speculative buying
- Participating in the speculative buying
- Markets during the speculative buying
- Participating in the speculative buying

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OTC Market: Shopping Center For Quality Securities

Continued from page 29

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THE Commercial and Financial Chronicle . . . Thursday, October 10, 1963

Louisiana, State Rice Milling Co. 23 1.00 25 4.0
Louisville Investment Co. 20 2.00 93 1/2 2.1
Louisville Stock Co. 27 1.40 30 1/2 4.6
Louisville Trust Co. (Ky.) 20 1.00 25 2.9
Lucky Stores, Inc. 19 107 18 20 1/8 3.8
Luftord Corporation 91 12.58 52 4.6
Luftord Telephone Co. 18 1.00 14 3/4 6.9
Luftord Typograph Co. 18 1.00 14 3/4 6.9
Lumio-Swami, Inc. 17 10.00 7 1/2 1.3
Lynchburg Gas Co. 20 1.25 34 1/2 3.0
Lyon Mercantile Co. 26 1.00 23 4.0
Machine Steel products 15 0.60 13 1/2 4.4
Mackay Co. 28 1.65 30 1/2 5.3
Macwane Co. 4 0.80 14 1/2 6.1
Macwane Motor Co. 17 0.30 9 1/2 3.2
Madison Gas & Electric Co. 54 1.03 39 2.6
Magor Car Corp. 27 1.00 22 4.5
Manufacurers Hanover Trust Co. (N. Y.) 29 2.00 51 1/2 3.9
Merchants National Bank of Detroit 24 2.00 59 1/2 3.4
Merchants National Trust Co. (Buffalo, N. Y.) 76 11.19 28 4.3
Market Basket Gas & Light Co. 24 10.97 25 1/2 3.8
Marshall-Wells Corp. 18 7.00 350 2.0
Maryland Casualty Co. 15 1.83 46 1/4 4.0
Maryland National Bank 567 250 84 3.0
Maryland Shipbuilding & Drydock Co. 29 1.25 18 1/2 6.8
Massachusetts Protective Asso- 30 1.85 123 1.5
Meadowland Development Corp. 15 0.40 2 5/8 3.2
Meadowlark Development Corp. (The Paul Revere Life Ins. Ltd.) 25 1.25 18 1/2 5.6
Metcalf Corp. 24 0.25 7 1/4 3.2
Metropolitan Asso. Conveying equipment 16 1.10 21 5.2
Mathieson Conveyors Co. 19 1.40 47 3.0

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OTC Market: Shopping Center For Quality Securities

Over-The-Counter Consecutive Cash Dividend Payers From 5 to 10 Years Appear in the Second Table Starting on page 35.

Missouri Utilities Co. ... 21 1.00 27% 3.6
Mobile Glass Service Corp ... 18 1.03 30 3.4
Midland Oil Petroleum Corp ... 18 0.40 36 1.3
Miller Rubber Co. ... 21 1.20 25 4.7
Missouri-Rock Island ... 21 1.40 16 5.9
Miller & Rhodes, Inc ... 44 1.20 30 4.0

National Bank of Commerce of Houston ... 41 1.43 98 1.3
National Bank of Commerce in Memphis ... 24 2.00 61 3.3
National Bank of Commerce in New Orleans ... 29 1.20 55 2.2
National Bank of San Antonio ... 61 3.00 93 3.9
National Bank of Detroit ... 30 2.00 79 3.8
National Bank of Toledo ... 23 2.00 60 3.3
National Bank of Tulsa ... 19 1.97 47 2.1
National Casualty Co. (Del.) ... 30 2.00 66 3.0
National City Bank of Cleveland ... 27 1.60 59 2.7
National Commercial Bank & Trust Co. (Albany, N.Y.) ... 108 1.57 72 2.8
National Fire Ins. Co. of Hartford ... 92 2.60 12 1.3
Natural Gas & Oil Corp. ... 23 0.80 18 4.4
National Life & Accident Insurance Co. (Nashville) ... 60 0.30 97 0.3
National Life & Accident Insurance Co. (New York) ... 60 0.30 97 0.3
National Lock Co. ... 22 0.40 11 3.6
National New York & Essex Bankers Co. (Newark) ... 158 1.39 84 3.8
National Oats Co. (Ohio) ... 37 0.70 20 3.5
Natural Gas & Oil Corp. ... 33 3.30 76 3.6
Natural Gas & Oil Corp. ... 73 2.38 36 6.5
National Life Insurance Co. of New York ... 06 2.60 68 3.9
National Security & Mfg. Co. ... 73 3.30 76 3.6
Natl. Shawmut Bk. (Boston) ... 06 2.60 68 3.9

NY IBA Group Elects Baldwin


C. O. McCartney Opens SPOKANE, Wash. — Clifford O. McCartney is conducting a securities business from offices at 303 North First, under the firm name of C. O. McCartney & Co.


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Continued on page 32

NY IBA Group Elects Baldwin


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The Commercial and Financial Chronicle, Thursday, October 10, 1963

OTC Market: Shopping Center for Quality Securities

Continued from page 31

The Plastic Wire & Cable Corporation
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Manufacturers of Electrical Wires, Cables & Cord Sets

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Teletype 212 371-1398
<table>
<thead>
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<th>Company Name</th>
<th>City</th>
<th>State</th>
<th>Industry</th>
<th>Status</th>
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<td>Massachusetts</td>
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<td>Houston Hydraulics &amp; Machinery, Inc.</td>
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<td>Massachusetts</td>
<td>Rees Manufacturing Corporation</td>
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<tr>
<td>City Quaker Anne</td>
<td>Philadelphia</td>
<td>Pennsylvania</td>
<td>City Quaker Anne</td>
<td>Incorporated</td>
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### Notes
1. Dividends, stock dividends, etc., adjusted for stock dividends, splits, etc.
2. Prices include stock dividends, splits, etc.
3. Preceding price and earnings data.
4. Stock dividends, splits, etc.
5. Includes public utility, natural gas and industrial securities.

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Mr. Latta was formerly with the Omaha office of A. C. Alynn & Co. He was previously associated with John Douglas & Co., Inc.

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Net proceeds from the financing will be used to construct an electric generating plant and associated facilities on the Columbia River at the Wells site in Douglas and Chelan Counties in the State of Washington. The plant will have an installed nameplate rating of about 542,000 kilowatts and a peaking capacity of approximately 618,000 kilowatts.

The Wells hydroelectric revenue bonds are backed by power sales contracts entered into by the Public Utility District No. 1 of Douglas County with four leading private power companies in the Northwest. These firms, Puget Sound Power & Light Company, Portland General Electric Pacific Power & Light Company and The Washington Water Power Company, have contracted and purchased 62% of the Wells project's output outright and the balance of 38% from other sources.

The power purchasers are the four largest investor-owned electric utilities in the Pacific North-west, serving an aggregate of 1,663,000 electric customers in 1962.

Continued from page 35

OTC Market: Shopping Center
For Quality Securities

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OTC Market: Shopping Center
For Quality Securities

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Western Cement Manufacturing Co. 17 11.19 17 7.0
Whiting Corp. 26 0.40 13.1 3.0
Whitney Blake Co. 21 0.40 14 2.9
Whitney Holding Corp. 77 1.20 51 2.4
Widaway & Bakerer Company 23 0.50 3.4
Williamson 67 1.00 18 5.6
Wise Oil Co., Inc. 10 1.70 3.2
Wilmington (Del.) Trust Co. 55 3.00 81 3.7
Winsters Natl. Bank & Trust (Dayton, Ohio) 81 21.20 33 3.6
Western National Life Insurance Co. 44 0.73 265 1.1
Western Power & Light Co. 17 0.82 24.5 3.4
Wisconsin Southern Gas Company, Inc. 17 10.90 27 3.7
Wisconsin Industrial Gas Co. 22 0.30 52 5.8
Wolfer Insurance Co., Inc. 16 1.00 46 2.2
Woodward Governor Co. 24 3.50 88 4.0
Worcester County National Bank (Mass.) 21 2.00 58 3.4
Würzburger Company 14 0.90 18.5 4.9
Wyatt Industries, Inc. 50 1.50 25 6.0
Wyckoff Steel Co. 29 1.20 18 6.7
York Based Co., Inc. 5 1.20 18 6.7
York City Gas Co. 18 11.50 36 4.3
York Water Co. 149 1.48 35 4.2

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Our Five Year Record of Growth 1957-1962

<table>
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<tr>
<th>Year</th>
<th>Operating Revenues</th>
<th>Operating Expenses</th>
<th>Gross Income before F.I.T.</th>
<th>Earnings Per Average Common Share</th>
<th>KWH Sold</th>
<th>MCF Sold</th>
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<td>20.0</td>
<td>39.3</td>
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New England Gas and Electric Association
Cambridge 39, Massachusetts

Title Insurance Throughout
Connecticut - Nassau, Bahamas
Delaware - New Jersey
Dist. of Columbia - New York
Florida - North Carolina
Indiana - Ohio
Kentucky - Pennsylvania
Maryland - Virginia
Massachusetts - West Virginia

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Vincent Smith has been appointed head of the International Department of Wood, Walker & Co., 63 Wall Street, New York City, members of the New York Stock Exchange and American Stock Exchange.
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Massachusetts - West Virginia

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NATIONAL DIVISION
111 Broadway, New York 6, N. Y.

Under Supervision of the Insurance Department of the State of New York

Merrill Lynch, Pierce, Fenner & Smith Inc.
Members New York Stock Exchange and Other Principal Stock and Commodity Exchanges
78 Pine Street, New York 6, New York
WESTERN POWER & GAS COMPANY
AND
TELEPHONE SUBSIDIARIES

<table>
<thead>
<tr>
<th>Common shares outstanding at end of year</th>
<th>Consolidated earnings balance for common shares of Western Power &amp; Gas Company</th>
<th>Consolidated earnings per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 1948</td>
<td>$ 1,403,443</td>
<td>$ 381,200 28c</td>
</tr>
<tr>
<td>Year 1950</td>
<td>2,084,242</td>
<td>$ 1,944,344 96c</td>
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<tr>
<td>Year 1955</td>
<td>2,263,849</td>
<td>$ 2,583,301 1.15</td>
</tr>
<tr>
<td>Year 1960</td>
<td>2,575,141</td>
<td>$ 3,853,154 1.51</td>
</tr>
<tr>
<td>Year 1961</td>
<td>2,733,109</td>
<td>$ 4,021,450 1.52</td>
</tr>
<tr>
<td>Year 1962</td>
<td>2,763,817</td>
<td>$ 5,020,863 1.82</td>
</tr>
</tbody>
</table>

(1) Includes data of Southern Colorado Power Company for all periods prior to May 1961, date of merger into Company.
(2) Restated to reflect 6 for 5 stock split effective April, 1961.
(3) On average basis book.
(4) "Year," as used above, refers to fiscal year ended September 30.

With Collins, Eastherton & Hemco Option Corp.

DENVER. Colo. — Thomas E. Hemco Option Corp. is engaging Moore and Ira A. Wilbur have in a securities business from which become associated with Collins, fences at 115 Broadway, New York, Eatherton & Associates, Inc. 509 Eatherton and Associates, Inc. Moore City. Officers are Nathan Rosen- Seventeenth Street, Mr. Moore blatt, President, and Marion City was formerly with Peters, Writer & Christensen, Inc.; Mr. Wilbur was then with Earl M. Scanlan & Co.urer.

COMPLETE INVESTMENT FACILITIES—throughout Wisconsin!

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MEMBERS: NEW YORK STOCK EXCHANGE & OTHER PRINCIPAL EXCHANGES

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Page 3033
The exchange market is often referred to as an auction market because a stock exchange provides a focal point for the buying and selling of bids and offerings of potential purchasers and sellers for all securities transactions. Genuine auction marketing in a security cannot be maintained, however, unless there is sufficient activity.

In those cases where less active securities are traded on an exchange, it devolves upon the over-the-counter specialist for each particular stock to create a market, in the absence of sufficient public orders to buy or sell, by effecting trades not in strict parline, putting in an order for a limited account. In other words, if you wanted to sell 100 shares of XYZ stock and the specialist had no order for XYZ, he would be able to buy that stock, himself, and be expected to enter a reasonable bid on his own.

The continuity of any market thus created is largely dependent upon his financial resources and his willingness to thus risk his own money.

The Over-the-Counter Market

On the Over-the-Counter Market the situation is quite different. Here there are a tremendous number of dealer firms from coast to coast that interest themselves in making a market for unlisted and some listed stocks and bonds. Most of them establish a ready market by buying and selling substantial quantities of the securities they are quoted to maintain inventories in them. Some firms, of course, choose to act solely as brokers and not dealers.

Because of competition, the spread between the bid and the asked figures on more active stocks is quite narrow. In less active stocks, the over-the-counter dealer must find contra-orders if he does not wish to assume his own inventory positions in the securities involved. It is his business to know which other over-the-counter dealers in all parts of the country might have a buying interest in a given security.

One, ten, fifteen or more over-the-counter dealers in different parts of the country may interest themselves in "making a market" for a given unlisted security. Pro-cup brokerage in a stock is often, or to known to those other dealers he contacts (either directly or through his own local) and often include individuals who are believed to have a buying or selling interest in the listed securities, or investors who might be induced to buy.

The process of constantly forming and reforming "counter" dealers is characteristic of the Over-the-Counter Market.

A major characteristic, too, of the "counter" market is negotiation. If a gap in price exists, after a prospect is found, the transaction does not die. Instead, negotiation ensues. The mere existence of a buy or sell order is the basis for the commission dealer to find the opposite.

The Over-the-Counter Market thus has no physical limit on trading.

As a practical matter, though, individuals in any city of 100,000 or more frequently have a phone, call a dealer and ask for a quote. As a rule, they are looking for securities that present good values to sell to their investor clients.

Numerous exchange firms also deal in over-the-counter securities and any that do not usually do so through their over-the-counter dealer to execute customers' orders for unlisted securities.

Many listed securities, too, are sold over-the-counter when the blocks are too large to make a quick orderly sale of an exchange characterized.

An investor need not concern himself with the intricacies enumerated above, since his dealer-broker will obtain a direct order from any over-the-counter stock or bond, and handle all details of purchase and sale.

The longer trading day in the Over-the-Counter Market is often a distinct advantage to the investor. In exchange, securities can be sold in New York between 9:00 and 11:00 A.M., and in the Midwest between 9:00 and 2:30, and on the West Coast it's even longer than that. Dealer-brokers in the Over-the-Counter Market work from 7:00 in the morning until 5:00 in the afternoon.

Stock Exchange Commission Rates vs. Counter Dealer Charges

When an exchange-broker executes a buy order in an exchange-listed stock, he tells you the price as well as the amount of commission on your confirmation slip. On the other hand, the over-the-counter dealers more frequently sell as "as principal" or on a "net" basis, as it is called, and it is part of the business.

This means his profit or loss is included in the price he quotes you and there is no commission charge shown on his confirmation. The over-the-counter dealer may sell as "as principal" or as "net", just as a merchant does in other lines of business. In other fields you buy a set of dining room furniture or a fountain pen and have you, the merchant sells it to you at a price and does not add any commission thereto. So with the "counter" dealer.

It is true that exchange commission rates are more often than not lower than the profit rates over-the-counter dealers are able to operate on. An important reason for this is the fact that the services of the over-the-counter dealer becomes frequently necessitating his taking the risk of an inventory position, in most cases, and the extensive searching for matching bids and offers from potential buyers and sellers.

When a security is taken from the Over-the-Counter Market and listed on a stock exchange, over-the-counter dealers are able to operate on. An important reason for this is the fact that the services of the over-the-counter dealer becomes frequently necessitating his taking the risk of an inventory position, include the extensive searching for matching bids and offers from potential buyers and sellers

As a rule, when a security is taken from the Over-the-Counter Market and listed on a stock exchange, over-the-counter dealers are able to operate on. An important reason for this is the fact that the services of the over-the-counter dealer becomes frequently necessitating his taking the risk of an inventory position, include the extensive searching for matching bids and offers from potential buyers and sellers.

Though the "counter" dealers' profit rates may be somewhat higher, they may afford investors "better" prices than the less expensive service of exchanges.

The mere fact that under the "exchange-auction-specialist system" the spread between bid and ask prices is close or narrow is indicative of the situation that the investor gets good value when he buys or that the seller obtains good value in keeping with the intrinsic value of the stocks he wishes to sell. Many investors are quick to recognize the fact that prices and values are two totally different things.

As pointed out before, the over-the-counter positions are an integral part of the over-the-counter dealers' task. They must take the initiative in assuming such positions. Although they must be aware and responsive to the fiddles of their customers, they cannot without warranted hazard buy securities for inventory purposes unless they take cognizance of basic economic values.

Basic economic values may appear somewhat elusive, but they are none the less real. They consist of mathematical and non-mathematical elements. The real value of a stock may be gained by checking such things as its earnings and dividend records, book value and liquidating value. But the first three of these are tied to the past, and subject to the fact that accounting is an exact science. And liquidating value may be the result of academic significance, if the corporation is going to continue in existence. The anticipated future average annual net income of a corporation may be capitalized numerically, but not without reference to many non-numerical concepts. They include the acumen, initiative, education of the officers and directors of the corporation. Speculation, beyond to how the corporation's present and possible future products of a corporation will fare on the markets may be handled numerically only to a certain extent.

When an individual consistently purchases stocks without regard to basic economic values, he may at times make money, but sooner or later he will bow losses. And although he may remain "in the market" for an extended period, he cannot do so after his capital is exhausted.

Inventory Positions

So it is with the over-the-counter dealer. If he operates on an inventory position at prices out of line with basic economic values, the profits which could be in due time exhaust his capital and drive him from the scene. For survival he must be cognizant of the elements, listed above, which are determinants of the real value of the securities in which he is taking inventory positions. His prices cannot consistently be out of line with real values. Particularly in regard to the non-numerical elements which go into the making of the real value of stocks, he is in a position to assume a position, he must, as a general rule, have knowledge superior to that of the lay trader.

Therefore, an important contribution of over-the-counter dealers is the fact that their market pricing must be influenced definitely by intrinsic corporate factors. They must stress value consciousness over quotation consciousness.

Officers and directors of the 14,000 banks and the major insurance companies of the country when buying or selling their own institution's stock for their own account do so almost entirely through over-the-counter dealers. Investment officers, of these institutions, are continually buying and selling government, municipal and corporation bonds through "counter" dealers for the account of their banks and companies.

Just as you get good or indifferent different treatment and values from both large and small stores in other lines of business, so is it with over-the-counter dealers.

Continued on page 40
Difference Between Listed and OTC Trading

Continued from page 20

counter dealers. It is not nec-

counter dealers may have as

merituous trustworthy and to have
good judgment with re-
spect to investment values.

Just be sure the over-the-
counter firm or individual dealer
can successfully operate in a risk
business with a good repu-
tation.

No exaggeration to say that both exchanges and the
Over-the-Counter Market are vital to our economic life.

Through the medium of stocks and bonds, idle capital of
individuals, banks, institutions like the banks, the
trade and industry and makes it possible for business to ob-
tain the wherewithal with

SECURITY SALESMAN'S CORNER BY JOHN DUTTON

"What Do You Think?"

An investment counsellor sent me the following question:

Dear Mr. Dutton:

"There are some points of simi-
larity between your article and
mine. I do not believe the public is
always aware of this. It must be
wrong in order for the professionals in the invest-
ment game to make a good living."

"This is exactly vs. the theory
of the good merchant wholetender the

I agree that a registered rep-
resentative that oversizes a dis-

account is guilty of an
unconscionable act. He must

I think a registration only points out some of the many areas of
our work that are constantly

Exchange Revises Rules on Bonds

The Board of Governors of the Federal Reserve Bank of St. Louis has re-

sales. The Board of Gover-
r

agreed in principle to the
Exchanges' ruling for the
change specialists perform their

consultants for his

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Mr. Funston

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New York, N. Y., October 3, 1963

Election of C. Richard Lanman as a vice-president of the Federal Reserve Bank of New York was announced Oct. 3 by Mr. Ralph Stillman, president. Mr. Lanman is deputy administrator of the small business administration in Washington, D. C.

Mr. Lanman began his banking career in 1932 with the Citizens and Southern Bank of Atlanta, and in April, 1953, he joined the Atlantic National Bank of Jacksonville, Florida, as vice-president.

George J. Varley and Frank X. Kissane have been promoted to vice-presidents of the Chase Manhattan Bank, New York.

Mr. Varley, who is in the brokers loan administration section, was promoted to assistant treasurer in 1959, and was appointed assistant vice-president in 1947.

Mr. Kissane is in charge of the Brooklyn division of the metropolitan department. He joined the bank in 1929 and was appointed assistant treasurer in 1948, and assistant vice-president in 1961.

THE CHASE MANHATTAN BANK NEW YORK

Sept. 29, '63, June 30, '63

Total resources...$3,233,700,709 10,025,473,527
Deposits...2,602,402,842 9,248,816,160
Cash and due from banks...1,259,288,459 1,233,441,144
U. S. Govt. securities and other investments...400,944,580 230,312,719
Unrealized profits...38,715,720 19,312,194

James A. Coles has joined the United States Trust Company of New York as an assistant secretary in the commercial division.

The election of Alfred E. Perliman as a director of The Marine Midland Trust Company of New York has been announced.

THE GRACE NATIONAL BANK NEW YORK

Sept. 29, '63, June 30, '63

Total resources...$209,575,236 274,255,658
Deposits...145,047,450 180,109,636
Cash and due from banks...35,794,840 60,328,833
U. S. Government securities and other investments...68,002,076 49,501,555
Unrealized profits...1,574,412 1,231,481

Walter H. Bennett, retired board chairman of the Farmers and Merchants Bank and Trust Co., St. Louis, died on Oct. 7 at the age of 94. Mr. Bennett went to work 70 years ago for the American Exchange National Bank. He became a director in 1941, and on its merger in 1926 with the Irving Bank Columbia Trust Company, was elected vice-chairman of the Board. In 1930 he joined Emigrant Industrial, retiring in 1952.

He had been a director of the Bank of Manhattan Company and the Grace National Bank.

NEWSPAGE BANKS AND BANKERS

Vol. 98, No. 6, October 4, 1963

Close Dow Chemical Deb's Offering

The closing on the public offering of $100,000,000 Dow Chemical Company Twenty-Five-Year 4 3/8% Debentures Due 1988 took place October 3 at the offices of Smith, Barney & Co. Incorporated, as corporate underwriters, and was managed by the underwriting group which offered the bonds to the public on Sept. 24, 1963.

The closing was an important milestone along the road of eliminating the anachronism of coupon bonds. The $100,000,000 Dow debentures will be originally issued only in registered form, which is a "first" for an issue of this type and size. The debentures also are expected to be the first new issue to be listed on the B. & P. Stock Exchange under the revised rules of the Exchange permitting listing and trading of registered bonds interchangeably with coupon bonds.

Above, seated, center, R. B. Bennett, Treasurer of Dow Chemical, is shown accepting a check from Charles W. Kenndard, Smith, Barney & Co. Incorporated, as Calvin A. Campbell, Vice-President of Dow Chemical, seated, left, observes. Standing is Robert F. Seebeck, vice-president of Smith, Barney & Co. Incorporated.

The Comptroller of the Currency, James J. Saxton on Oct. 7 announced preliminary approval of the application for a charter for a new National Bank in mid-city Philadelphia. It was the first application for a National Bank charter in that city in more than 30 years.

The new institution will bear the name "First National Bank of Philadelphia," and will have an initial capitalization of $1,500,000. The organization simply said that approval would be ready to open for business at 16th and Locust Streets within 90 days.

In a joint statement by Hooper S. Miles, chairman of the board of Maryland National Bank, Baltimore, N. M., Mr. Simpkins, president of The Chesterton Bank and Trust Company of Maryland, it was announced Oct. 7 that by action of the respective boards of directors of the two banks, a merger agreement was executed on Sept. 30, 1963, for the purpose of holding the Stock Company.

The transaction between the two banks would result in the issuance of 15,948 shares of Maryland National Stock to the stockholders of the Chesterton Bank for the 23,120 shares of its stock now outstanding, providing for a ratio of three for four.

Roger W. Simpkins, Cashier of the Chesterton Bank and Trust Company, said that preliminary approval of the application of a group of officers and directors of the Chesterton Bank and Trust Company to organize the new national bank had been granted by the Board of Directors.

At Chicago, Ill., with the title, "Columbia National Bank of Champaign, Ill.," with an initial capitalization of $750,000.

The Comptroller of the Currency, James J. Saxton on Oct. 3 approved the application of The First National Bank of Oelwein, Oelwein, Iowa, to purchase the assets and assume the liabilities of The State Savings Bank, Oelwein, Iowa, effective on or after Oct. 10.

The Comptroller of the Currency, James J. Saxton on Oct. 2 approved the application of the First National Bank of Creston, Creston, Iowa, to merge with the First National Bank of Creston, Creston, Iowa.

The Comptroller of the Currency, James J. Saxton on Oct. 2 approved the application of the First National Bank of Creston, Creston, Iowa, to merge with the First National Bank of Creston, Creston, Iowa.

The Comptroller of the Currency, James J. Saxton on Oct. 2 approved the application of The Woodbury Bank and Trust Company, Sioux City, Iowa, to First National Bank in Sioux City, Sioux City, Iowa, effective on or after Oct. 9.


Providing S & L Assns. With Broader Investment Powers

Continued from page 20

postwar period. Third, until recently, tax considerations did not weigh heavily on the choice of alternative investments by savings institutions.

As a result of these factors, savings banks, as well as savings and loan associations, have been unable to earn higher rates of return by channeling the bulk of their savings into mortgages. However, despite the unusual attractiveness of mortgage yields during the postwar period, corporate security investments have at times provided comparable returns when appropriate account has been taken of servicing charges and differences in liquidity and risk. This is indicated by the tendency, noted earlier, for savings banks to increase the volume of investible funds channeled into corporate bond markets during periods of rising bond yields.

Furthermore, available evidence indicates that returns on savings bank shift funds of corporate stocks, including both dividends and capital gains, have compared favorably with earnings on mortgage investments. This is indicated, for example, by the fact that since the mid-1950's, the capital gains distributions and unrealized appreciation on shares purchased through the Funds, has increased from $50 million to over $200 million, even though the common and preferred stocks, as well as municipal bonds, will be increasingly attractive to savings institutions permitted to acquire them.

Moreover, lenders cannot assume that the unusual postwar attractiveness of mortgages will continue indefinitely. The spread between FHA mortgage interest rates and bond yields is well below the previous 1960 peak and FHA yields currently are lower than Treasury bond yields than at any time in the past decade. Nevertheless, accurate historical data on mortgage interest rates are not available, the mortgage bond spread appears still to be higher than during most of the period from the beginning of World War II to the mid-1950, and further reduction may occur in the next few years (Chart 3).

Construction of 1- and 2-family residences has remained virtually static since 1960 and is not likely to increase greatly in the immediate future. At the same time, commercial banks and other new entrants into the mortgage market are expected to continue to invest heavily in mortgages, thereby exerting downward pressure on yields. In view of basic changes in investment demand and continued urbanization, downward pressure is likely to continue on existing mortgage yields.

The FHA mortgage participation arrangement will be helpful to an individual association facing an unexpected need for a large portfolio of quality mortgages. Participants may, therefore, contribute to a more even geographic distribution of mortgage funds. But it does not appear to solve the problem of general overabundance of mortgage funds affecting both mortgage rates. Numerous industry leaders have acknowledged that many savings associations have been confronted with an "easing squeeze" and that this "squeeze" may become more severe. Other financial institutions are subject to pressure on their earnings. Under savings associations, however, institutions not heavily in mortgages are protected against reduction in mortgage yields by their ability to invest in other uses.

Effects on Long-Run Stability of Savings Institutions

Looking back into the history of the mortgage lending industry, it is evident that compulsory specialization in home mortgage lending has made for instability in its long-run growth rate. According to data compiled by Professor Raymond W. Goldsmith, total assets of savings and loan associations since the late 1800's have traced broad cyclical swings related to major movements in the level of home mortgage debt and building activity. During extended periods of decline or stability in the home mortgage market—such as the period from the late 1800's to the early 1900's and the depression period—the total assets of savings and loan associations leveled off or declined (Chart 4). In contrast, periods of rising home mortgage debt were marked by rapid growth of savings and loan assets.

Indeed, the growth of savings and loans during the postwar housing boom reached phenomenal proportions. Specializing in the most rapidly growing sector of the capital market, which provided the highest returns, savings and loan associations were able to attract a sharply increased proportion of the public's savings. However, with housing demand tapering off and competition for mortgage funds intensified, their growth may not continue at such a rapid pace.

Mutual savings banks have been less strongly affected by broad swings in building and mortgage activity than savings and loan associations. Since the turn of the century, total assets of savings banks have increased at a relatively constant rate. Largely because of the less rapidly growing areas of the Northeast, savings banks have grown at a slower pace than savings and loans during periods of sharply expanding mortgage demands. However, savings banks also have been less severely affected by the onset of reduced housing activity. While many factors affect institutional growth, the fact that savings banks were not tied to a single area was an important factor underlying their relatively steady growth experience.

Effects on Thrift

Virtual dependence on the home mortgage market, furthermore, prevents savings and loan associations from adequately performing the basic function of giving continuous encouragement of thrift. When housing demand is sluggish, savings associations may have to curtail thrift promotion programs, cut back dividend rates, and otherwise reduce their efforts to stimulate savings.

Indeed, at such times there may be efforts to restrain savings growth at savings and loan associations by withholding FHA insurance from existing unsold associations that normally would qualify. This is illustrated by the report issued late in 1960 by the Federal Savings and Loan Council of Illinois.4 Referring to prospects for savings and loans in Illinois, the Council stated that "...in view of the anticipated lower demand for home credit in the next five years, the normal expansion of existing insured savings and loan facilities appears adequate to meet expected home credit requirements." The Council, therefore, concluded that "it would be a legitimate objective of the FSLIC to sharply curtail the number of associations receiving insurance of accounts in the next five years."

Maximum thrift promotion efforts, continuous throughout the business cycle, are essential for the steady growth of savings institutions. Such continuous efforts, furthermore, are important in stimulating the increased flow of savings needed for accelerated growth of the national economy. They cannot be carried on effectively by institutions that are tied to the ups and downs of building activity. Indeed, a specialized mortgage lending institution, in contrast to a savings bank, needs to encourage only that amount of savings necessary to carry out its basic mortgage lending function. The basic purpose of existence is clearly different from a savings bank, and re-

Chart 2

Selected Capital Market Yields and Mortgage Yield Spread, 1956-1963

<table>
<thead>
<tr>
<th>Year</th>
<th>FHA Mortgages</th>
<th>U.S. Government Bonds</th>
<th>FHA and new corporates</th>
<th>New corporate bonds</th>
<th>FHLA and U.S. Governments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956</td>
<td>6.00</td>
<td>5.50</td>
<td>2.00</td>
<td>4.50</td>
<td>2.30</td>
</tr>
<tr>
<td>1957</td>
<td>6.00</td>
<td>5.50</td>
<td>2.00</td>
<td>4.50</td>
<td>2.30</td>
</tr>
<tr>
<td>1958</td>
<td>6.00</td>
<td>5.50</td>
<td>2.00</td>
<td>4.50</td>
<td>2.30</td>
</tr>
<tr>
<td>1959</td>
<td>6.00</td>
<td>5.50</td>
<td>2.00</td>
<td>4.50</td>
<td>2.30</td>
</tr>
<tr>
<td>1960</td>
<td>6.00</td>
<td>5.50</td>
<td>2.00</td>
<td>4.50</td>
<td>2.30</td>
</tr>
<tr>
<td>1961</td>
<td>6.00</td>
<td>5.50</td>
<td>2.00</td>
<td>4.50</td>
<td>2.30</td>
</tr>
<tr>
<td>1962</td>
<td>6.00</td>
<td>5.50</td>
<td>2.00</td>
<td>4.50</td>
<td>2.30</td>
</tr>
<tr>
<td>1963</td>
<td>6.00</td>
<td>5.50</td>
<td>2.00</td>
<td>4.50</td>
<td>2.30</td>
</tr>
</tbody>
</table>

Note: Data on FHA mortgages, new corporate bonds and U.S. Government bonds are based on the monthly average of yields spread in excess of yields on FHA mortgages over yields on bonds. FHA mortgages guaranteed by the Federal Reserve from average prices reported by FHA regional offices and by Federal Home Loan Bank directors, assuming a 12-year prepayment penalty and a growing 30-year maturity. Figures indicate periods when averages were adjusted to changes in the mortgage rate. FHA new corporates; estimated by First National City Bank of New York, adjusted to an Aaa basis (figures reflect changes in industrial composition, maturity and type of origin). U.S. Government bonds: Federal Reserve based on bonds maturing or callable in 10 years or more. Latest figures are for February 1963.


Chart 1


<table>
<thead>
<tr>
<th>Year</th>
<th>Mortgages</th>
<th>Corporate and other securities</th>
<th>U.S. Government securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>3.5</td>
<td>0.5</td>
<td>-0.5</td>
</tr>
<tr>
<td>1951</td>
<td>3.0</td>
<td>0.0</td>
<td>0.5</td>
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<tr>
<td>1952</td>
<td>2.5</td>
<td>0.0</td>
<td>0.5</td>
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<tr>
<td>1953</td>
<td>2.0</td>
<td>0.0</td>
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<td>1954</td>
<td>1.5</td>
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<td>1955</td>
<td>1.0</td>
<td>0.0</td>
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<tr>
<td>1956</td>
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<td>1957</td>
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<td>1958</td>
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<tr>
<td>1959</td>
<td>-1.0</td>
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<tr>
<td>1960</td>
<td>-1.5</td>
<td>0.0</td>
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<tr>
<td>1961</td>
<td>-2.0</td>
<td>0.0</td>
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<tr>
<td>1962</td>
<td>-2.5</td>
<td>0.0</td>
<td>0.5</td>
</tr>
</tbody>
</table>

Note: Changes in holdings of selected types of assets, compiled by National Association of Mutual Savings Banks. Corporate and other securities include state and local government obligations.

quires different kinds of activities and powers.

**Contribution to Economic Efficiency and Growth**

In the framework of national economic policy, rigidly limited investment powers prevent savings and loan associations from realizing the maximum contribution to the economy consistent with their resources and position in the financial system. As noted before, confinement to mortgage lending may lead to unsound credit practices when housing demands are relatively elastic, and could jeopardize the soundness of individual associations. Instability in a substantial segment of such an important industry, moreover, could not be isolated and dealt with against the soundness of the financial system as a whole.

By enabling savings institutions to respond flexibly to changing credit demands, Federal chartering legislation would not only enhance overall financial stability, but would assure the placement of funds received from savers according to their most productive use. Such flexibility is at the heart of the free enterprise system. It is precisely through the responsiveness of resources and business units to constantly changing price and yield relationships that a maximum efficiency in the allocation of capital and manpower, increased ability to encourage thrift continuously, moreover, would eliminate waste and bring about capital formation.

The need for greater investment flexibility received in the hearings on the following passage from its Report:

"The strictness of these investment powers is often imposed on their unequal application has handicapped these institutions in directing their lending into areas and uses where more profitable opportunities exist. The regulations also are inconsistent. In turn reduced the effectiveness of the private financial institutions to economic growth. The financial system is major.

**Means of Achieving Broadened Investment Powers**

In sum, from the standpoint of credit, as well as of broad national economic goals, there are strong reasons why investment powers of savings institutions should be made more flexible. How, then, would this objective be achieved soundly and most expeditiously? The most efficient investment powers traditionally associated with banking institutions were enacted by the House in H.R. 2668, exclusively identified with home mortgage lending.

A crucial consideration here is the nature of Federal Agencies and the Congress, President Kennedy's Committee on Financial Institutions, while emphasizing the advantages of diversified investment powers generally for all types of financial institutions, endorsed only limited broadening of savings and loan authority. Apparently, the Committee was reluctant to recommend comprehensive investment flexibility for savings and loan associations except if achieved through conversion to Federal mutual savings banks. Traditional operation included the heads of 11 major Federal agencies, including all those concerned with the supervision of financial institutions and explained its views as follows:

"In recommending only a relatively modest deviation from the present portfolio regulations of savings and loan associations, the Committee declined to view for its endorsement of a system of Federally chartered mutual savings banks. A system of such a system would provide an alternative for savings and loan associations that desired to engage in mere diversified lending and investing, under appropriate supervision safeguards.

Reluctance to permit more than token diversification of powers for savings and loan associations is an indirect reflection in the present definition of savings and loan associations provided by the Congress in the Revenue Act of 1962. Under Federal definition, savings and loan associations whose investments to meet specified criteria would be barred from the hard reserve provisions in the Act. The effect of this definition is to restrict the benefits that would accrue to savings and loan associations if they were able to expand significantly their powers to invest outside the mortgage, field. Furthermore, the existence of the Congress and the Treasury on rigid investment criteria, suggests that proposals for broadening savings and loan powers, without provision for conversion to Federal mutual savings banks, would face serious legislative obstacles.

**Conclusion**

Provision for broadened investment powers is not, of course, the only desirable feature of the Federal Mutual Savings Bank Bill. Nor, obviously, is it the only reason why the efforts of savings banks in the present legislation were meeting growing support. General chartering legislation would extend to mutual savings banks the same dual chartering privileges now available to savings and loan associations, commercial banks and credit unions. Furthermore, the establishment of Federal mutual savings banks banks would needed would stimulate increased savings, and would distribute these savings more evenly throughout the nation. This would spur capital formation and economic growth.

That different groups may support Federal chartering legislation from different points of view is not a shortsighted but an advantage. In our highly competitive society, proposals to significantly liberalize powers of financial institutions are not likely to go far if one can convince anyone the group is the sole beneficiary. This is true of proposals sponsored by the savings and loan industry as well as those sponsored by other financial institutions to meet the broad public interest as well as the legitimate needs of those industries principally affected.

The Federal Mutual Savings Bank Bill is such legislation. It is for this reason that a growing number of savings and loan managers have worked so closely on this legislation with leaders of the savings banking industry. This cooperation has been most helpful and I believe that the benefits of a Federal mutual savings bank system become better understood and that more savings and loan managers will lend their support to the Federal Mutual Savings Bank bill. I hope that many will be among them.

*An address by Dr. Easley at the Midwest Economic Conference, University of Colorado, Fort Collins, Colo.*

**Wertheim Team Wins Golf Tourney**

The 33rd annual Charles Hayden memorial golf tournament was won at the Baltusrol Golf Club here Oct. 4 by a two-man team representing Wertheim & Co. Their low net total was 158. John Fetterer and William Kerr. The Shearson, Hammill & Co. team won the gross with a 155 low net total.

Eugene Francis, of Shearson, Hammill & Co., and Tom Smith, won with a 70, while Mr. Fetterer won the low net for the day with a 78. A total of 51 teams, representing Wall Street firms participated in the tourney.

**Ziegler Opens Office in San Francisco**

SAN FRANCISCO, Calif. - Appointment of John R. Maurer as resident manager of a new district office, located at 111 Sutter Street in San Francisco, has been announced by D. J. Kenny, President of B. C. Ziegler & Company, of West Bend, Wisconsin, nationwide underwriter and distributor of church, school, hospital and retirement home bond issues.

Prior to joining the Ziegler firm Mr. Maurer has spent more than seven years with Dean Witter and Company in their San Francisco office.

The San Francisco office is the 16th sales and acquisition office opened by the Ziegler company.

**Study Illustrates Puerto Rico's Economic Progress**

The Government Development Bank for Puerto Rico on Oct. 2 dedicated its annual "Economic Facts" folder which presents in brief chart form, with accompanying text, the progress being achieved in the "free enterprise economy of Puerto Rico.

"Puerto Rico's changing economic profile is sketched in this limited sample of selected statistical measurements," Dr. Rafael Pico, President of the Bank, states in an introductory comment, part of the main principal feature. For the people of Puerto Rico these impersonal measurements which are something very person. They mean better opportunities for em- race, advancement, higher living stan- dards, a better health, and a host of other benefits which are intangible.

"Net income of Puerto Rico's economy has grown at the surpris- ingly high rate of over 18% during the two most recent fiscal years."

Dr. Pico said that "the Government Development Bank for Puerto Rico has contributed to past economic growth, with all its implications for the people of Puerto Rico. It is ever ready to contribute its full share to future and assured a future source of loan capital for the de- velopment and expansion of indus- try and commerce, it has and will continue an active role of service. As fiscal agent and financial ad- viser of the Commonwealth, its municipalities, and public cor- porations, it is expected to conclude its history of developing and arranging soundly based bor- rowing. Furthermore, the financing of capital improvement and devel- opment is a strength that can further the foundations of the economy."

"In carrying out its loan pro- gram, for example, the Bank strives to maximize the im- pact of its assistance by a policy of frank communication and coopera- tion with private and other government lending institutions."

**McDonnell Branch**

SILVER SPRING, Md. — McDon- nell Federal has opened a branch office at 901 Silver Spring Avenue, under the management of Edward M. Becker.

Townsend, Dabney Branch WINCHESTER, Mass.—Townsend, Dabney & Tyson has opened a branch office at Chest Street under the direction of Maurice C. Bird.

**Form Superior Secs. Co.** CLEVELAND, Ohio Superior Securities Co., Inc. has been formed with offices at the Supe- rior Building to engage in a securities business. Officers are Nick Billie, President and Trea- surer; E. R. Billie, Secretary; and Charles V. Lats, Jr., Assistant Secretary.
As We See It

Interest Equalization Tax Bill Must Be Reconsidered

Continued from page 3

The same purpose. The dominance of the Bank of England and the city of London in international financial affairs was diminishing even before World War I. But World War I and the convulsions which followed set the stage for a complete revision of existing thinking and practice in international financial affairs. What was left soon became a victim of Keynesian and related moves during and after World War II. Now, the United States will be treading untrod ground. Whatever they do or recommend will inevitably be experimental in nature. Unfortunately there is at present no feasible escape from it.

Interest Equalization Tax Bill Must Be Reconsidered

Continued from page 1

The preparation of a new economic lexicon have done nothing, and could do nothing, to alter the immutable laws of human behavior. They may think they have. They sometimes talk and act as if they thought they had. In any event the proposals they put forth, "international liquidity" seem to be designed for a world no more like the world in which our great-grandparents, like Alice wandered about to the delight of many readers. All too often measures of excellence or adequacy are marked as coming apparently more or less from experience of many years but which are expected to operate in a world where natural forces are no longer permitted to operate in any way can be found to prevent them from doing so.

We, of course, have no way of knowing what sort of work the study group will come up with a year from now. What we do know is that they will have developed much inexperience for estimating what the results of what they do will be. There is, of course, no reason at all to suppose that they will suggest anything less than a greater freedom for the play of natural forces — and none to suggest that any such recommendation if made would be accepted or acted upon by any important nation of the earth. In fact, there is implicit in much that is being said everywhere that has been written on the subject, no evidence that the thought of control, national or international, lies evident in virtually everything that was said in Washington during that meeting, and certainly if found in all that emanates from the New Frontier.

Always a Problem

Now, of course, no one would claim that natural forces were always given full play in history. There were certainly not in international financial affairs. Even the swinging toward freedom of action which followed the settling-up of events of August Smith and the others of a like mind in the political field never succeeded in removing certain and essential interfering with natural forces. We ourselves for time to time out of mind saw to it that our industries had the protection of high tariffs, and when our other devices were employed to accomplish much

mand has not very substantially increased the "international liquidity" of a number of foreign countries.

But we hope and they fear that an early correction in our international financial payments may alter this drift substantially. Hence the President has felt it necessary, at least to the extent of raising the problem and particularly those nations which feel somewhat unsure of themselves, that it and when we "solve" our balance of payments problem, we shall not fail to take what steps are necessary to prevent undue suffering abroad as a result of it. Thus, all this leaves many things up in the air. What precisely will the United States do in the event that the statesman of a number of other countries feel due to the effect of our return to health? What can it do? And, what if anything should be done by the United States, or from the standpoint of the United States, or in conjunction with the United States, to assure comfortable international financial relationships in the years to come? A group of ten nations, or their representatives, are now about to undertake to take the answers to these and closely related questions.

It is obvious that new names have been given to many old, old problems, whether thus made to appear quite new. This is a habit firmly fixed, and probably little if anything can be done about it. We live in a time when most people, in the "liquidity preference," tendencies which used to be called by plain terms are now all combined to give "a propensity to consume." The unfortunate merchant or manufacturer who has misgued the market and willy-nilly accumulated large unwanted inventories has the advantage in this respect to the capital investment of the period. Individuals who buy the latest motor car are sometimes found to propel them to current consumption and sometimes investing their money—depending upon who is compiling the figures. But we hope and they continue to invest heavily in government obligations — never mind whether long or short-term — because they lend private industry money to finance ocean shipments of goods they have by so much lost their liquidity. And the story goes on.

Human Nature Still the Same

But, of course, these economists who are engaged in the

World Reaction

What has been the world reaction to H. R. 8000? Officially, polite but tepid approval. The financial foreign press, however, has been widely enthusiastic. H. R. 8000, and the following quotations from the London Economist are typical.

At the end of July, the Economist commented on the significance of the imbalance in America's payments that has accumulated over the years in the almighty dollar. It is largely an imbalance resulting from the American efforts to put a war-time world back on its feet, from maladjustment which had not resulted in the vast hordes of gold in the Fort Knox vaults, and a little bit of optimism that those efforts had failed.

And in the August 10 issue, the same publication said: and the threat is that putting its own house in order quickly supplants its debts; the giant cannot move for fear of crushing the ordinary mortals who are so busy firing him with pellets of debt.

Domestic Press

Even the domestic press has generally been critical of H. R. 8000. The New York Times quoted the First National City Bank as saying, in effect, that the bill was wise and sound-minded to the point of the balance payments delight of making investments in foreign assets. It points out that private investments now mean "money back with interest." The bank indicates that it would like to see Congress reject the proposal of tax foreign securities bought by foreigners.

In practice, July 19, 1963, Europeans, in many instances, can and have been able to lead "international" at prices lower than those paid by U.S. persons. In the United States, "variables" have developed, which vary from country to country. The result is that a dollar invested in such securities may be worth as little as 65 cents on the dollar.

It is already evident that these perhaps unforeseen side effects of H. R. 8000 will present the present bill do nothing to improve the balance of payments, and, in fact, tend to aggravate, not reduce, the situation.

A Better Plan

What can be done to correct that? The President legislated for...
TAX-EXEMPT BOND MARKET

Continued from page 4

this sale will enable funds to construct an integrated aluminum rolling mill in Lewiston for $4,000,000. The bonds are not general obligations but are secured from annual rentals charged by the company and the proceeds of this plant. Har威尔 will acquire the property. The company will install the machinery, take over the buildings, and conduct operations.

The City of Atlanta, Georgia, sold $5,000,000 Airport revenue bonds, due 2030, to the account jointly managed by Paine Webber & Co. and Iras Haupt & Co. at a premium bid of 49.65, over the bid at 48.80, 3.25%, net interest cost. The Atlanta bond compared favorably with the run-up bidder, a 3.50% net interest cost.

Other major members of the winning account are Stone & Webster Securities Corp., Philadelphia, and Securities Services Corp., New York.

Reoffered to yield from 2.50% to 3.50% and the term bonds were sold at a slight discount. The group reports an unsold balance of $3,000,000, but this is not necessarily a true balance as the $18,000,000 term bonds were divided among the members of the group and are variously available in the Street.

Another Banner Day

Wednesday was another banner day with new highs on the calendar. The Lehman Brothers Co. had its best day, at a 3.1313% net interest cost, for $2,000,000 Denver, Colorado, bonds, at a price of $102.50, net interest cost. The bid was $102.00, 3.1313% net interest cost.

Other major members of the Lehman Brothers Co. account include Halsey, Stuart & Co., New York; Blair & Co., New York; Phelps & Co., New York; and Stone & Webster Securities Corp., Boston.


Reoffered to yield from 1.95% to 3.35% bearing various coupons, the present balance in syndicate totaled $5,000,000.

Kansas City, Missouri awarded $12,000,000 Sewage revenue bonds for the Halsey, Stuart & Co., Lehman Bros. account at a 3.3066% net interest cost. The run-up bidder, a 3.34% net interest cost, came from the account managed by Smith Barney & Co. and associates.


Reoffered from 2.90% to 3.40%, the unsold balance in groups totaled $4,000,000.

This week's example of importance to be reported was $175,000 Cincinnati, Ohio Limited Tax (1963-1989) bonds. The account led by the Chase Manhattan Bank submitted the best bid, 100.91 for a 3½% coupon. The second bid, 100.83 also for a 3½% coupon, was made by Halsey, Stuart & Co., New York, and associates.


Reoffered to yield from 2.10% to 3.35%, a balance of $11,250,000 was sold at a slight discount for reissue of a bond account.

We accept the market's tone has been fairly steady, there is little indication that investor interest is waning. However, the daily dollar volume has been very light, and the quoted issues have been a little easier over the past two weeks and the bids obtained secondary market items are significantly lower than the new issue bids for similar obligations.

John Stevenson Named NYU Trustee

John Stevenson, partner in the investment firm of Solomon, Stevenson & Co., has been elected an alumni member of New York University's Board of Trustees. The announcement was made in a letter from George A. Safford, chairmen of the Board.

Mr. Stevenson will begin his service as a trustee at the end of this month. He is a graduate of the University's School of Commerce, Accounts, and Finance in 1928.

NYSE Shares Pass 8 Billion

Shares listed on the New York Stock Exchange have passed the 8 billion mark. According to the Exchange, the number is the result of a 3.1 billion increase in the number of shares listed and outstanding since last year.

AFC Investments

CHICAGO, Ill. — Gerrit Mortert is conducting a securities flotation by the AFC Industries. The company is looking for $6,000,000 in new capital. The flotation was initiated by S. J. Africk & Co., New York, to protect the company from possible bankruptcy.

Open New York Branch

Ashwell & Co. has opened a branch office at 15 William St., New York, to attract more business. The company has been in the business for 50 years.

Forex Bank Investors

DALLAS, Tex. — Erhard M. Bruns has been appointed office manager at 8050 Westlair Drive to engage in a new business under the firm name of Bank Investors.
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:

**AMERICAN IRON AND STEEL INSTITUTE—**

*Steel ingots and castings (net tons).—Includes production on average weekly working days for the latest four weeks.*

Unofficial estimated steel operations (per cent capacity).

*Chief mill-shutdown basis.*

This data is in 1900 units.

**AMERICAN CHESTNUT INDUSTRY—**

Crude and unground chestnut output average (bbls.)—

This data is in 1900 units.

**AMERICAN COTTON BOLL INDUSTRY—**

Seed cotton output (on deck).—

This data is in 1900 units.

**AMERICAN MADDER INDUSTRY—**

Guaranteed dye rate (per pound).—

This data is in 1900 units.

**AMERICAN PIG IRON PRODUCTION—**

Steel works output (bbls.)—

This data is in 1900 units.

**AMERICAN PRIVATE LABEL CIGARETTE INDUSTRY—**

Cigarette prices (cents per pack).—

This data is in 1900 units.

**AMERICAN SUGAR Refiners—**

Sugar prices (cents per pound).—

This data is in 1900 units.

**ASSOCIATION OF AMERICAN RAILROADS—**

Revenue freight loaded (number of tons).—

This data is in 1900 units.

**COAL OUTPUT (U. S. BUREAU OF MINES)—**

Bituminous coal and lignite (tons).—

This data is in 1900 units.

**CONSTRUCTION ADVANCE PLANNING—ENGINEERING NEWS RECORD—**

Building permits—(In $ millions) provided by State.

This data is in 1900 units.

**DEPARTMENT OF LABOR—**

STOCKS AND BONDS—

U. S. Government Bonds.

This data is in 1900 units.

**DEPARTMENT OF COMMERCE—**

PUBLICATIONS PROMULGATED UNDER THE U. S. STATUTE OF 1926—

This data is in 1900 units.

**DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE—**

**INDEX—1927-27 AVERAGE—100—**

This data is in 1900 units.

**DEPARTMENT STORES—**

Electric output (in 1000 kw.)—

This data is in 1900 units.

**FAIRTRADE COMMISSION AND INTERNAL—HUN & BRADSTREET, INC.—**

This data is in 1900 units.

**FEDERAL RESERVE BANKS AND TRUST COMPANIES—**

Average—(In $ millions).

This data is in 1900 units.

**FEDERAL RESERVE SYSTEM—**

Advance planing over ownership.

This data is in 1900 units.

**FINANCE COMMISSION AND INTERNAL—HUN & BRADSTREET, INC.—**

This data is in 1900 units.

**IRON AND COPPER COMMODITIES—**

Flour and feed (per ton).—

This data is in 1900 units.

**METAL PRICES AND QUOTATIONS—**

Electrolyte copper—

This data is in 1900 units.

**MOODY'S BOND PRICES DAILY AVERAGES—**

U. S. Government Bonds.

This data is in 1900 units.

**MOODY'S BOND YIELD DAILY AVERAGES—**

U. S. Government Bonds.

This data is in 1900 units.

**MOODY'S COMMODITY INDEX—**

NATIONAL COTTON SANDING.—

Orders received (tons).—

This data is in 1900 units.

**OIL MARKET INDEX—**

Production of United States (monthly).

This data is in 1900 units.

**OIL MARKET REPORTER PRICE INDEX—**

**30 AVERAGE—1900**

This data is in 1900 units.

**OIL TRANSACTIONS ACCOUNT OF MEMBERS—**

EXCEPT ODG-DEALER AND SPECIALISTS—

Further details on page 2.

This data is in 1900 units.

**STOCK TRANSACTIONS ACCOUNT OF ODG-DEALER AND SPECIALISTS—**

Further details on page 2.

This data is in 1900 units.

**STOCK TRANSACTIONS—**

Total purchases.

This data is in 1900 units.

**STOCK TRANSACTIONS—**

Total sales.

This data is in 1900 units.

**STOCK TRANSACTIONS—**

Total round-trad transactions for account of members.

This data is in 1900 units.

**STOCK TRANSACTIONS FOR ODG-ACCOUNT OF ODG-DEALER AND SPECIALISTS—**

Further details on page 2.

This data is in 1900 units.

**STOCK TRANSACTIONS—**

Number of shares.

This data is in 1900 units.

**STOCK TRANSACTIONS—**

Number of orders—consideration total sales.

This data is in 1900 units.

**STOCK TRANSACTIONS—**

Number of orders—consideration total sales.

This data is in 1900 units.

**STOCK TRANSACTIONS—**

Customers' other sales.

This data is in 1900 units.

**STOCK TRANSACTIONS—**

Number of shares and sales (unadjusted).

This data is in 1900 units.

**STOCK TRANSACTIONS—**

Number of shares and sales (adjusted).

This data is in 1900 units.

**STOCK TRANSACTIONS—**

Second round-trad transactions by dealers—Number of shares.

This data is in 1900 units.

**STOCK TRANSACTIONS—**

Total round-trad transactions for account of members.

This data is in 1900 units.

**WHOLESALE PRICES—**

Special prices, New series—U. S. DEPT. OF COMMERCE—

Catalog of commodities and stock transactions for account of members (shares).—

This data is in 1900 units.

**WHOLESALE PRICES—**

Commodity Group—

This data is in 1900 units.

**WHOLESALE PRICES—**

Farm products.

This data is in 1900 units.

**WHOLESALE PRICES—**

Mess Goods.

This data is in 1900 units.

**WHOLESALE PRICES—**

Manufactures.

This data is in 1900 units.

**WHOLESALE PRICES—**

Markets.

This data is in 1900 units.

**WHOLESALE PRICES—**

All commodities other than farm and food.

This data is in 1900 units.

**INDUSTRIAL DEVELOPMENT REPORT—**

Monthly report, 1921-1922—(No. 11).—

This data is in 1900 units.
STATE OF TRADE AND INDUSTRY

Continued from page 16

Moderate Upturn in Business Failures

Commercial and industrial failures showed a marked rise during the week ended Oct. 3 from their downtown levels recorded in the previous week. Reported by Dun & Bradstreet, Inc. However, casualties remained below the levels of a year ago. Failures occurred and also fell short of the 330 in 1961. But, some 32% more failures occurred in 1962 than in 1959 when the pre-war toll stood at 253.

Liabilities of $100,000 or more were involved in 45 of the week’s failures, compared to 40 in the previous week and close to the 45 of this size last year. On the other hand, $100,000 failures were up $100,000, although climbing to 242 from 224 a week earlier; continuing the upward trend of the comparable 1962 level of 270.

The toll among retailers bounced to 146 from 134 in the previous week. These failures occurred largely among dealers in furniture, hardware, and building material. Failures among finance institutions numbered 23 compared to 20 last year. Failures among manufacturers amounted to 33 compared to 28.

This boosted the total number of failures in all lines, to 276, from 267 in the week ended Sept. 26. The December quarter shows a marked rise compared to the third quarter of this year, and in the like period of last year. But, the weekly total is still below the levels of the second quarter, and the first quarter of 1961. Furnishings and appliance failures continued strong. So did failures among public utilities, builders and contractors, and wholesalers of building materials.}

November Sales Totals of retail sales of the National Retail Merchants Association showed a gain of 14.8% over the comparable period of 1961.

State-to-State

Volume 118 Number 3096 The Commercial and Financial Chronicle

(1423) 47

Try Not to Swell

Statistics Table

Families of Americans killed on the highways amounted to 2,043 in 1963, up 1,102 from the 941 in 1962. A record $86 million in life insurance was paid on the lives of the victims during the first half of 1963—a rise of 3.8% over the $83 million or 13% over the same period in 1962.

The Institute of Life Insurance estimates that if the upward trend of motor vehicle traffic continues at the same rate during the rest of 1963, payments for the full year will total about $165 million. The traffic toll normally runs heavier in the latter half of the year.

Life insurance companies paid death claims on 23,000 policies as a result of traffic accidents during the first half of 1963, or about 1,000 more claims than during the comparable period of 1962. A number of policyholders killed was somewhat lower than the number of claims, because many policyholders have several life insurance policies.

The National Safety Council reports that 18,000 persons were killed in traffic accidents in the first half of 1963, compared with 18,010 during the same period last year.

Now Burgwin, Biddle

PITTSBURGH, Pa.—The firm of E. T. Burgwin, Biddle & Co., Union Trust Bldg, has been changed to Burgwin, Biddle & Co.

Loewi Co. Branch

MILWAUKEE, Wis.—Loewi & Co. opened a new branch office at 7401 west Oklahoma Ave., under the direction of Roland C. Neumann.

W. L. Smith Opens

LUBBOCK, Texas—William L. Smith is conducting a securities business from offices at 2345 Fourth Street, Lubbock, Texas, under the name of W. L. Smith & Company.
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.

Also shown under the caption "Effective Registrations" are those issues which became effective this week and were offered pub-  
licly.

**Aerolo Technologies, Inc.** (11/4-8)  
Sept. 20, 1963 filed 10,000,000 of which 8,000,000 are to be offered by company and 7,000 by certain stockholders. Price—By amendment (max. $25). Business—Manufacture of various types of aerospace products. Proceeds—For acquisition, development, and working capital. Address—Bridgewater, Conn. Underwriter—Laird & Co., Inc., New York.

**Airway Hotels, Inc.**  

**Allegheny Venture Corp.**  

**Atlantic Electric & Telephone Co.** (10/14-18)  
Sept. 27, 1963 filed $1,200,000 of 6% convertible subordinated debentures due 1978, 240,000 common shares and 12,000 warrants to purchase an additional 240,000 common shares, to be offered by a stockholder. Price—By amendment (max. for stock: $12). Business—Manufacture of equipment and tools used in servicing automobiles. Proceeds—For debt repayment and working capital. Address—Philadelphia, N. Y. Underwriter—None.

**Atlantic Offshore Transit Corp.** (10/14)  

**Borden Aircraft, Inc.**  

**Brooke Resources Corp.** (10/14)  

**Bridgewater Corp.** —  
July 23, 1963 filed 800,000 common to be offered for subscription by stockholders on the basis of three new shares for each share held. Proceeds—For working capital and other corporate purposes. Address—1139 Club House Road, Gladwyne, Pa. Underwriter—None.

**Brantly Helicopter Corp.**  
July 23, 1963 filed 800,000 common to be offered for subscription by stockholders on the basis of three new shares for each share held. Proceeds—For working capital and other corporate purposes. Address—1139 Club House Road, Gladwyne, Pa. Underwriter—None.

**Bridgewater Corp.** (10/29)  

**Brooke Resources Corp.**  

**Canalav Hills Enterprises, Inc.**  

**Castle Hospitality Services, Inc.**  

**Chemcor, Inc.**  

**Citadel Life Insurance Co. of New York**  
March 25, 1963 filed 40,000,000 of $150 par, 5% corporate bonds to be sold to public for offering by Underwriter—Smith, Barney & Co., Inc., New York.

**Commercial Life Insurance Co. of Missouri**  
Nov. 26, 1962 (Reg. A) 48,000 common to be offered for subscription by stockholders on the basis of one new share for each 500 common shares held. Proceeds—For debt repayment and working capital. Office—505 Lindell Blvd., St. Louis. Underwriter—Edward D. Jones & Co., St. Louis. Offering—Indefinite.

**Common Market Fund, Inc.**  
March 7, 1963 filed 4,000,000 common shares. Price—Net asset value plus 5%. Business—A new mutual fund specializing in securities of foreign and American common
NEW ISSUE CALENDAR

October 10 (Thursday)
General Acceptance Corp. —Debentures (Offering to stockholders—underwritten by Widger, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith, $100,000 shares)

Subcription Trust Co. —Common (William H. Steck & Co.) $32,000 shares

October 11 (Friday)
Florida Power Corp. —Common (Offering to stockholders—underwritten by Kister, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith, $45,000 shares)

October 14 (Monday)
Allen Electric & Electric Co., Inc. —Debentures (Offering to stockholders—underwritten by Kister, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith, $1,200,000 shares)

Allen Electric Transmission Co., Inc. —Debentures (Offering to stockholders—underwritten by Kister, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith, $1,000,000 shares)

Brodhead Development Corp. —Common (Offering to stockholders—underwritten by Kister, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith, $1,000,000 shares)

Juniyer Spur Ranch, Inc. —Common (Offering to stockholders—underwritten by Kister, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith, $300,000 shares)

National Aviation Underwriters, Inc. —Common (Offering to stockholders—underwritten by Kister, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith, $5,000,000 shares)

National Union Insur. of Washington, Inc. —Common (Offering to stockholders—underwritten by Kister, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith, $64,000 shares)

October 15 (Tuesday)
Allright Auto Parts, Inc. —Units (Offering to stockholders—underwritten by Kister, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith, 25,000 units)

American General Life Insur. Corp. —Debentures (Offering to stockholders—underwritten by Kister, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith, $50,000,000)

Columbia Savings & Loan Ass'n —Common (Offering to stockholders—underwritten by Kister, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith, $125,000 shares)

Denny's Realty & Financing Corp. —Common (Offering to stockholders—underwritten by Kister, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith, $175,000 shares)

Dorchester Gas & Electric Co. —Debentures (Offering to stockholders—underwritten by Kister, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith, $175,000 shares)

Francis J. du Pont & A. O. Allin, Inc. —Common (Offering to stockholders—underwritten by Kister, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith, $10,000,000 shares)

General Stone & Materials Corp. —Common (Offering to stockholders—underwritten by Kister, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith, $25,000,000 shares)

Jersey Central Power & Light Co. —Debentures (Offering to stockholders—underwritten by Kister, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith, $100,000,000 shares)

O'Malley Investing Corp. —Common (Offering to stockholders—underwritten by Kister, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith, $20,000,000 shares)

Tennessee Life Insurance Co. —Capital Stock (Offering to stockholders—underwritten by Kister, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith, $1,000,000)

Western Maryland Electric Co. —Units (Offering to stockholders—underwritten by Kister, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith, $1,000,000 units)

October 16 (Wednesday)
Commercial & Financial Corp. of Missouri, Inc. —Common (Offering to stockholders—underwritten by Edward D. Jones & Co., $1,000,000 shares)

Research Capital Corp. —Common (Offering to stockholders—underwritten by Edward D. Jones & Co., $1,000,000 shares)

Nevada Power Co. —Bonds (Offering to stockholders—underwritten by Edward D. Jones & Co., $5,000,000)

Bonds (Offering to stockholders—underwritten by Edward D. Jones & Co., $1,000,000)

October 21 (Monday)
General Artists Corp. —Common (Offering to stockholders—underwritten by Edward D. Jones & Co., $100,000)

Gulf States Utilities Co. —Preferred (Offering to stockholders—underwritten by Edward D. Jones & Co., 100,000 shares)

Fort (Alex) & Sons, Inc. —Common (Offering to stockholders—underwritten by Edward D. Jones & Co., $1,000,000)

Pacific Gas & Electric Co. —Bonds (Offering to stockholders—underwritten by Edward D. Jones & Co., $76,000,000)

Southern Ry., Co. —Bonds (Offering to stockholders—underwritten by Edward D. Jones & Co., $240,000)

November 4 (Monday)
Aerolux Transportation Corp. —Common (Offering to stockholders—underwritten by Edward D. Jones & Co., $100,000)

Bridges Iron Development Co. —Common (Offering to stockholders—underwritten by Edward D. Jones & Co., $1,000,000)

Donaldson Co. —Common (Offering to stockholders—underwritten by Edward D. Jones & Co., $250,000)

November 7 (Thursday)
Georgia Power Co. —Bonds (Offering to stockholders—underwritten by Edward D. Jones & Co., $7,000,000)

Ultronic Systems Corp. —Common (Offering to stockholders—underwritten by Edward D. Jones & Co., $50,000)

November 13 (Wednesday)
Northeastern & Western R.R. (Offering to stockholders—underwritten by Edward D. Jones & Co., $100,000)

Pacific Power & Light Co. —Bonds (Offering to stockholders—underwritten by Edward D. Jones & Co., $7,000,000)

New England Power Co. —Bonds (Offering to stockholders—underwritten by Edward D. Jones & Co., $10,000,000)

Union Electric Co. —Bonds (Offering to stockholders—underwritten by Edward D. Jones & Co., $5,000,000)

December 3 (Tuesday)
Pacific Northwest Bell Tel. Co. —Debentures (Offering to stockholders—underwritten by Edward D. Jones & Co., $50,000)

December 4 (Wednesday)
Massachusetts Gas & Electric Co. —Bonds (Offering to stockholders—underwritten by Edward D. Jones & Co., $10,000,000)

New York Life Insur. Co. —Bonds (Offering to stockholders—underwritten by Edward D. Jones & Co., $5,000,000)

December 10 (Tuesday)
Northern Pacific Ry. —Equity Thr. Cts. (Offering to stockholders—underwritten by Edward D. Jones & Co., $4,000,000)

Virginia Electric & Power Co. —Bonds (Offering to stockholders—underwritten by Edward D. Jones & Co., $100,000)

December 11 (Wednesday)
Consolidated Edison Co. of New York, Inc. —Bonds (Offering to stockholders—underwritten by Edward D. Jones & Co., $20,000,000)
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... Continued on page 52
qution of additional properties. Office—195 Nassau St., Princeton, N. J. Underwriter.—None.
• Ramo Inc. (10-21-25)
Office—342 W. 20th St., New York, N. Y. Underwriter.—None.
• Raso Plants Ltd. (Aug. 27, 1962)
Shipments to be made to order. Price—$30 per share. Profit—$75,000.
• Roodsin Indus, Inc. (Aug. 22, 1962)
Shipments to be made to order. Price—$45 per share. Profit—$75,000.
• Rocosco Industries, Inc. (Aug. 30, 1962)
Shipments to be made to order. Price—$60 per share. Profit—$75,000.
• Roodin Indus, Inc. (Sept. 3, 1962)
Shipments to be made to order. Price—$75 per share. Profit—$75,000.
• Roff Corporation of Missoula, Inc. (Nov. 16, 1962)
Shipments to be made to order. Price—$120 per share. Profit—$75,000.
• Roff, Inc. (10-20-31)
Shipments to be made to order. Price—$150 per share. Profit—$75,000.
• Retirement Foundation, Inc. (Jan. 8, 1963)
Shipments to be made to order. Price—$180 per share. Profit—$75,000.
• Selective Federal Corp. (Feb. 28, 1963)
Shipments to be made to order. Price—$200 per share. Profit—$75,000.
• Seldin Properties (10-28-31)
Shipments to be made to order. Price—$250 per share. Profit—$75,000.
• Shaker Properties (Oct. 19, 1963)
Shipments to be made to order. Price—$300 per share. Profit—$75,000.
• Squire for Men, Inc. (July 9, 1963)
Shipments to be made to order. Price—$1,000 per share. Profit—$75,000.
• Stein Roe & Farahon Foreign Fund, Inc. (July 19, 1963)
Shipments to be made to order. Price—$4,000 per share. Profit—$75,000.
• Superb Electric & Gas Co. (10-22-32)
Shipments to be made to order. Price—$6,000 per share. Profit—$75,000.
• Tailored Service Corp. (Aug. 15, 1963)
Shipments to be made to order. Price—$8,000 per share. Profit—$75,000.
• Tan酪a Toys, Inc. (10-28-31)
Shipments to be made to order. Price—$10,000 per share. Profit—$75,000.
• Trans World Insurance Co. (July 23, 1963)
Shipments to be made to order. Price—$15,000 per share. Profit—$75,000.
• Ultronics Systems, Inc. (11-4-8)
Shipments to be made to order. Price—$25,000 per share. Profit—$75,000.
• United Mutual Shares, Inc. (Aug. 29, 1963)
Shipments to be made to order. Price—$50,000 per share. Profit—$75,000.
• Vannin, Inc. (June 20, 1963)
Shipments to be made to order. Price—$100 per share. Profit—$75,000.
• Vanadium Corp. (Aug. 24, 1963)
Shipments to be made to order. Price—$200 per share. Profit—$75,000.
• Vanadium Corp. (Aug. 24, 1963)
Shipments to be made to order. Price—$300 per share. Profit—$75,000.
• Vanadium Corp. (Aug. 24, 1963)
Shipments to be made to order. Price—$400 per share. Profit—$75,000.
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."

(1) The B. V. D. Co., Inc. $60,000,000 offered at $17.75 per share by Drexel & Co., Philadelphia.

Beneficial National Life Insurance Co. $20,000,000 offered at $17.75 per share by the company, without underwriting.

Craig Publishing Co. $120,000,000 offered at $36.875 per share by White, Weld & Co., Inc., New York.

United States Shoe Corp. $223,500,000 offered at $39.50 per share by Blyth & Yeater, Inc., Kansas City, and Fenn & Smith Inc., and Fahnestock & Co., New York.

Republic National Life Insurance Co. $20,000,000 capital shares offered at $63.75 per share by First National City Bank, New York, and Sandies & Co., Dallas.

ATTENTION UNDERWRITERS!
Do you have an issue you're planning to register? Our Corporation News Department would like to know about it. Please send an item similar to those you'll find hereunder.
Would you telephone us at 2-9750 or write to us at 25 Park Place, New York 7, N. Y.

Prospective Offerings

- Associated Truck Lines, Inc. (10/22) Sept. 18, 1963 it was reported that 110,000 common shares of Associated will be sold publicly, of which 40,000 will be sold for the company and 70,000 for certain stockholders.
- Bethlehem Steel Co. (10/22) Sept. 18, 1963 F. S. Sharpe, Chairman, announced that the company will expand a $750,000,000 capital improvement program to be completed by 1965. He said that the company is currently financing the program and that this would not be required until at least 1964.
- Columbia Gas System Inc. (10/10) Oct. 2, 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. Offerings—For expansion, Address—Tokyo, Japan. Underwriter—Yamashita Securities Co. of New York.
- Columbia Gas System Inc. (11/12) Oct. 2, 1963 it was announced plans to sell $5,100,000 of 1-15 year equipment trust certificates. Offerings—For sale to institutional investors. Underwriters—None.
- Burlington & Quinns RR (11/12) Oct. 2, 1963 it was announced plans to sell $25,000,000 of debentures to raise money for construction. Address—Burlington, New York. Underwriters—None.
Continued from page 53


Iowa Power & Light Co. Jan. 16, 1963 it was reported that the company plans to sell the first installment of its proposed tie-in issue of $13,000,000 4% first mortgage debentures. The offering will consist of 1,000,000 shares of 10$ principal amount and the offering terms were $1,000,000. of $15,000,000 of securities in 1964 to help finance its construction program. Offer—165 West Monroe St., Chicago. Underwriters—White, Weld & Co., Inc., and First Boston Corp.

Texas Power & Light Co. Sept. 28, 1962 it was reported that the company plans to sell $30,000,000 of preferred stock. Bids—Expected Nov. 12 (10 EST) at the company's Philadelphia office.

Wyoming Natural Gas Co. Sept. 25, 1963 it was announced that a tentative offering plan to sell $25,000,000 of preferred stock, to be offered to the public, was expected to be completed in December. Offer—120 Broadway, New York. Underwriters—(Competitive) Probable bidders: Merrill Lynch, Pierce, Fenner & Smith Inc., and Kidder, Peabody & Co. & Company; Salomon Bros. & Hutccher.—Expected Dec. 10 (12 noon EST).

Pacific Northwest Bell Telephone Co. Aug. 16, 1963 it was announced that the company plans to sell $50,000,000 of debentures due 1978. Proceeds—to refund $48,700,000 of outstanding debentures. Offer—1200 Third Ave., Seattle. Underwriters—(Competitive) Probable bidders: Morgan Stanley & Co.; Halsey, Stuart & Co. & Inc.—Bids—Dec. 3 (11 a.m. EST). Information Meeting—Nov. 26 (2:30 p.m.) same address.

Philadelphia Electric Co. Sept. 19, 1963 it was reported that the company is considering an offering of $10,000,000 of bonds in the fourth quarter. Offer—115 East Washington St., Chicago. Underwriters—(Competitive) Probable bidders: Kidder, Peabody & Co.; First Boston Corp.; J. Boyce & Co.; National City Bank; Kidder, Peabody & Co. & Merrill Lynch; Pierce, Fenner & Smith Inc.—Bids—To be announced. Information Meeting—Feb. 16, 1964 to be held by Halsey, Stuart & Co. Inc. Other bid on the issue was tendered by Morgan Stanley & Co.


Public Service Co. of Colorado June 30, 1963 it was announced that the company plans to sell $35,000,000 of 20-year mortgage bonds in April, 1964. Proceeds—to be used to purchase 12,000,000 shares of common stock of Denver, Colo. Underwriters—(Competitive) Probable bidders: Halsey, Stuart & Co. Inc.; Harriman, Ripley & Co.; & Eastern Union Securities Co. & Metropolitan Life Insurance Co. of New York.

J. ROBERT KENNEY
Bank Earnings Continue to Top 1962 Levels

Net operating earnings of 23 major banks located in 12 U. S. cities, for the third quarter of 1964, which marks the last nine months of 1963, will continue to run ahead of the corresponding third quarter of 1962, according to reporting to M. A. Schapiro & Co., Inc., New York investment bankers specializing in the field.

The Schapiro firm predicted in its Bank Stock Quarterly that third quarter earnings in both 1964 and 1963 will aggregate 4.6% higher than a year ago, and that for the nine months ending September 30, 1964, earnings will be 5% ahead of the same period 1963. Seven leading New York banks and 11 other representative cities are included.

The investment firm attributed the continuing favorable trend in earnings to a further increase in earning assets, coupled with the recent firming of short-term interest rates in response to a more restrictive Federal Reserve monetary policy. The Federal Reserve Board has reduced the discount rate—the charge on advances to member banks—to 5%. The move has been in effect for nearly three years.

The Quarterly reported that combined loans and investments of the 23 banks currently aggregate $10.4 billion. "Although operating expenses are up, with time and money rate increases of 17% last year, higher operating revenues are absorbing the added cost and will maintain the same level of earnings," it said.

In the section entitled "Tightening Setting for Bank Credit," the Quarterly noted that the pressures are as great as ever to sustain short-term interest rates and keep the balance of-payments deficit. The investment bankers maintain that the monetary authorities will seek to "curtail the seasonal bank credit expansion through January or February and yet avoid reducing short-term rates" for fear it would "cause a repetition late this year of a maneuver which they successfully countered last February."

In November, 1962, the System lowered the reserves banks are required to maintain against time deposits and savings deposits from 5% to 4%, thereby reducing nearly $400 million in required reserves. Since the action, the Federal Reserve Subdivision of St. Louis has issued an "extension of a preceding action," and the Federal Reserve Bank of New York has revised the media for the collection of required balances of reserves.

"It is probable that by the end of the year, an additional $200 million or so will reduce the cash reserves which member banks are required to maintain against time deposits and savings deposits from 4% to the present statutory minimum of 3%.

The investment bankers conclude that the move would "reduce and preserve the soundness of the banking system" and thereby restricting competition and "would be to the benefit of a number of banks that currently have excess reserves and would jeopardize the capital structure of a number of banks that are already faced with a capital shortage."

Noting that protection of small banks from destructive competition is a matter of primary concern to the New York State Banking Department, the Quarterly foresees "the ultimate abolition of geographical restric-
WASHINGTON and YOU

BEHIND-THE-SCENES INTERPRETATIONS
FROM THE NATION'S CAPITAL

WASHINGTON, D.C. — The months before a Presidential election that finds an incumbent running for the second term can be among the most unpredictable periods in the United States form of republic. Because if there is anything at all that is predictable, it is that there will be sudden and sharp changes in policies by an administration trying to stay in power for a second term. These changes are in the works again.

One of the most certain of these changes is in the makeup of the President’s cabinet. Just who will go isn’t certain until it is too late to predict. But that there will be change is almost as certain as the sun rising in the morning. The back-room speculation has come on the members of the cabinet yet—it’s a little too early to name names—but most Washington observers are convinced that there will be changes.

There are several reasons for the changes that will come. The members of any administration who take a new President take the brunt of the normal criticism that always follows. In addition, they’ve now spent almost four years away from their normal jobs, and this means considerable loss of income for most of them. They are not usually willing to go back to private life, and the White House normally isn’t unhappy to make the President’s life easier.

Yet, Mr. Dillon is one of the strongest spokesman for the New Frontier. Look at the spot, a delicate spot, and many Kennedy advisors would like to see it go to someone else. After all, not only is the man who would work in the party’s precipice, but as a reward to the man who has been a key contributor to the party. Douglas Dillon may slip, and he wants to win. In fact, it may not be a happy retirement.

McNamaras’s Status

To the commercial community, as well as to the political community, the biggest name on the possible replacement list is Defense Secretary Robert McNamara. His policies have caused open revolt within the professional military, and TFX fighter contract has stirred up a heated and continuing controversy. He has left some research and development and procurement policies of which some members have taken umbrage because of their cost. More than one happy defense contractor is wondering how much money the money went as a result of his policies. So many investors are also wondering, and this has always been good for the political machine that employs the Defense Secretary.

There are the basic problems that White House political strategists are now weighing. Who should go where and who will stay is still very much up in the air. There may only be one or two changes, any of these men mentioned are vulnerable. Public and political pressure have inched the final judge of who goes and who stays.

There is a lot more to this reorganization than before the Presidential elections. While the cabinet members are the most dramatic possibilities, the second layer of officials is the biggest section and the most changes will occur there. While a loss of a cabinet member may impress lots of voters in one sweep, too many would draw too much publicity.

But at the lower levels, changes could still... the protests of whole industries and bring back sorely needed campaign funds.

Controversial Mr. Swisher

Consider the Federal Power Commission. Here, Chairman Joseph C. Swisher has caused a quiet uproar. A former Tennessee Valley Authority official, who left that job under controversy, Mr. Swisher is a dedicated government control advocate. He started out his role by imposing thorough control over natural gas production and sales, thus alienating many strong and important oil and gas men.

Lately, Mr. Swisher’s zeal for light government regulation has irritated the State Public Utilities Commission members, the backers of the Rural Electrification Administration power cooperatives, and the electric power utilities. A recent fight over a questionnaire to interstate natural gas pipelines, in which he recently backed down, caused some drop in their securities because of changes and allegations over rates of return on investment for these companies.

Thus, he has made himself extra vulnerable to “resignation.” For even a compromise appointment might soothe the ruffled feathers of the heavy Texas and Oklahoma oil and gas Democrats to come back into the campaign fold. At the present, talks through that section of the country show that the best the President could expect at the moment would be that they would stay away from the polls on election day; the worst that they would be contributing to and voting for, a Republican for President, and probably Republicans for state and local offices.

Other Questions Marks

There are others in this boat too. The Chairman of the Interstate Commerce Commission has consistently refused to go along with the President’s transportation deregulation proposals. The Chairman of the CAB has caused several furores in his time in the job. The Chairman of the Federal Maritime Board has already been replaced. However, the man who is still a member of the body.

Initial patronage to any new administration is important to win over the old policies of the predecessor, install its own people and get them to get things done. Patronage in the second instance is important too, because it makes a public image. There are many of the ideas that are part of the critique that the first four years have developed. These changes will be important, and they will be made. Some will hit the headlines, others will be buried on the business pages of the daily newspapers. But they will be there.

[This column is intended to reflect the "behind the scenes" interpretation from the nation’s Capitol and may not coincide with the Chronicle’s own views.]

COMING EVENTS

IN INVESTMENT FIELD

Tax Institute of American Symposium on Alternatives to Present Federal Taxes at the Mayflower Hotel.

Oct. 17-18, 1963 (Atlanta, Ga.)

Oct. 18-19, 1963 (New York City)
National Association of Investment Clubs annual Convention at the Statler Hilton Hotel.

Oct. 20-24, 1963 (Bal Harbour, Miami Beach, Fla.)
National Association of Bank Women 51st annual convention at the Americana Hotel.

Nov. 13-15, 1963 (Chicago, Ill.)
American Bankers Association First National Automation Conference at the La Salle Hotel.

Nov. 20, 1963 (New York City)
Association of Stock Exchange Firms Annual Meeting of members for election of new officers and governors; Governors Dinner at the University Club.

Dec. 1-4, 1963 (Hollywood Beach, Fla.)
Investment Bankers Association of America Investment Convention at the Hollywood Beach Hotel.

CHRONICLE’s Special Pictorial Supplement Dec. 19.