FEATURED IN SECTION 3 › SAN FRANCISCO SECURITY TRADERS ANNUAL CONVENTION

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Future Climate for Equities

By ROBERT S. WAILL, C.F.A.*

Vice President and Economist, Inverness Counsel, Inc.

Mr. Waill takes a hard look at what he estimates tomorrow's national economy will be like and finds the prospect relatively reassuring: Inflation overseas somewhat intensified; our own inflation increasingly subdued; the cost of fresh capital moderate; and the redistribution of wealth a quietly pervasive aspect of American life.

The future climate for equity investment is being created by events today.

On the world scene, the passive attitude of the Soviet Union while we bomb its ally, North Vietnam, and the acquiescense of the United States and China when India dismembered Pakistan carry a special message to the other countries of the world: "The UN cannot protect you. The big powers **will not** protect you. If you want to ensure your integrity, look to yourself."

We believe one of the consequences will be a worldwide arms buildup and the spread of nuclear weapons. The added costs will accelerate the rates of inflation in many other countries. Meanwhile, the new Soviet-American understandings, which will ultimately permit a reduction in the U.S. troops stationed in Europe, will tend to hold down defense costs for the United States. This will help to lower our inflation rate relative to those of other countries and thus strengthen the ability of the United States to compete in world trade.

Today, the military situation is being analyzed in terms of nuclear statistics, but in our opinion a purely statistical analysis is inadequate. Suppose, someday, the Soviet Government indicates that although going to war would mean the loss of 85 per cent of their population and ours - they are willing to do it! If we were not - if we did not have the **willingness** to fight - would this not mean American surrender?

Excluding such an extreme possibility, will the Soviet's growing military strength relative to our own have an effect on American influence in the world? Will it lead to psychological consequences at home, such as a discouragement and loss of spirit on the one hand or, on the other, a "live for the moment", spend now, frame of mind?

We are confident that America will maintain its nerve and meet the challenge with a steady hand.

*****

In theory - and in practice - equity

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Tomorrow's Economy — Perhaps

By RALPH A. BING, C.F.A.

Investment Consultant, F. S. Smithers & Co. Inc.

Nixon or McGovern? After Election Day, will the President be pro-or anti-business? Mr. Bing lists the sharply contrasting economic moves that each candidate will probably take if he can.

If forecasting 1973 were simply a matter of plotting the current business cycle recovery, it would be a comparatively easy task. It would then be primarily a problem of sizing up the likely momentum of the dynamic and the laggard segments of the economy, such as they might develop next year without major new government innovations of one kind or another. This would probably first produce the usual range of estimates for GNP and its components rather than an immediate "standard" forecast but the range would be unlikely to cause sleepless nights to economic forecasters.

However, this is not the situation facing us now. We are not just looking at a recovery phase of a business cycle entering its third year by December 1972. We also find ourselves in an acute phase in the battle between basic economic and social philosophies. True, that battle is always going on but the up-coming elections have propelled it into a most acute stage the outcome of which could decide the trend — or at least its pace — for a number of years.

Some will think it naive to attach that much importance to the November elections, considering the "flexibility" of views which both likely candidates have been displaying. Nevertheless, I cannot help feeling that the sharp differences in political philosophy characterizing the candidates will powerfully assert themselves once the end of the battle for votes makes equivocations less tempting. While it is understood that a compromise — inclined Congress will water down the large differences in leanings emanating from the two would-be top executives, the one winning the November election is bound to leave a considerable imprint upon the basic course that this nation will take in the coming years.

The fact that this fundamental uncertainty is super-imposed upon the business cycle makes a business forecast for 1973 quite unusually "iffy" at this time. I think it is at this point more helpful to be explicit about it than to gloss over it and simply throw some GNP projections at thoughtful readers.

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New Foreign Aid Approach: Subsidize Capital Markets

By DAVID T. KLEINMAN

Professor of Finance, Fordham University, New York City

Railing against foreign aid has long been one of America's favorite pastimes. But while most Americans would agree that our aid programs are a mess, few have been able to come up with viable alternatives to it, other than the perennial suggestion to cut the aid out entirely. Dr. Kleinman, though, thinks that there is an effective solution that would cut down the inefficiency and waste in the programs, and maintain support for developing countries' economies at the same time. The answer, he says, lies in helping these countries set up solid capital markets by channeling aid into bond or stock credit to all buyers of publicly floated securities in the foreign markets. An early version of Dr. Kleinman's plan is already being implemented in Brazil. The House Inter-American affairs subcommittee will hold hearings next week on the proposal.

American foreign aid programs are a mess. Inefficient, often politically oriented, they are strangled in red tape and dominated by outmoded thinking.

In addition, a rising tide of public sentiment has stiffened Congressional opposition to foreign aid and we may be without a foreign aid program at all if some new, more efficient models are not developed.

To criticize is easy; to propose viable alternatives is something else. This I have tried to do. Much of what I immodestly call the Kleinman Plan is being adopted in Brazil now. I am confident that it will multiply the impact of our foreign aid at least fivefold and would greatly spur domestic investment. With modifications for local conditions, it could be adopted in other developing countries.

The failure of foreign aid programs has been due to fundamental errors in the basic development concept used. But before examining the Kleinman Plan alternative, it might be useful to review the present model and its shortcomings.

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Pictorial Coverage:

INVESTMENT ASSOCIATION OF NEW YORK ANNUAL OUTING — SEE PAGES — 14, 15

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 — Salomon Brothers, 1 New York Plaza, New York, N.Y. 10004.

Cosmetic And Toiletry Industry — review — Provident National Bank, 1632 Chestnut Street, Philadelphia, Pa. 19103. Also available is a report on the 34 companies making up the Bank's *Model Portfolio*, and bulletins on *Chesebrough Pond's Connecticut General Insurance Corporation* and *Saga Administrative Corp.*

Custom Reports — custom written reports on any company domestic or foreign, $10 each (include name, state of incorporated, and issue date of certificate) — special rates for banks and brokers — R.M. Smythe & Co., Inc., 170 Broadway, New York, N.Y.

Economic Outlook — comments — Legg, Mason & Co., Inc., 22 Light Street, Baltimore, Md. 21203.

Energy Crisis — discussion — Manufacturers Hanover Trust Company, 350 Park Avenue, New York, N.Y. 10022.

Health Care Industry — review — Hornblower & Weeks-Hemphill, Noyes, 8 Hanover Street, New York, N.Y. 10004. Also available is a review of the *Petroleum Industry*, a report on *Roadway Express*, and comments on *Bohack, Bunker Ramo, C.I. Mortgage Group, Forest Oil, Frederick & Herrud, National Homes, Penn Fruit Unicapital* and *Wilson & Co.*

Interest Rates — review of trends — Continental Illinois National Bank & Trust Company, 231 South La Salle Street, Chicago, Ill. 60690.

McLeod, Young, Weir Bond Yield Index — an evaluation of the performance of the Canadian Bond Market — one index including reinvested income and

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The Security I Like Best

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

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

This Week's Forum Participants

***Garfinckel, Brooks Brothers, Miller & Rhoads, Inc.**, Nan Ellen Ritsch, Research Analyst, Scott & Stringfellow, Richmond, Va.*

***Consolidated Leasing Corporation (CLC-NYSE)**, Joseph Bianco, Institutional Trader, Pressman Frohlich & Frost, New York, N.Y.*

NAN ELLEN RITSCH
Research Analyst
Scott & Stringfellow
Richmond Va.

Garfinckel, Brooks Brothers, Miller & Rhoads, Inc.

*Recent Price — 24 5/8
*1972 Range — 29-23
**1971 E.P.S. — $1.70
**1972 Est. E.P.S. — $2.15

Dividend — $0.88
Yield — 3.57 per cent
1971 P.E.R. Range — 17-14X
P.E.R. 1972 Est. E.P.S. — 11.5X

*Bid Price
**Fiscal Year — 1/31

Retail companies continue to benefit from increases in consumer spending and many are following unusually good 1971 earnings with equally impressive 1972 first quarter results. Garfinckel, whose earnings for the fiscal year ended January 31, 1972 registered a 30.8 per cent increase, or $1.70 vs. $1.30 per share, is no exception, and earnings for the first quarter ended April 30, 1972 were $0.23 vs. $0.15. As a result of the company's strong showing in the first quarter and the prospects for the continuation of the good retail climate, we have raised our 1972 estimate from $2.00 per share to $2.15. The price of the company's stock has dropped back slightly on the news that the Price Commission was investigating the company's price increases instituted in 1971. The Commission's action proved to be insignificant and at a price of 24 5/8 and a multiple of 11.5X estimated fiscal 1973 earnings, we recommend purchase for intermediate and long-term investors.

The year 1972 will mark expansion by the company of its existing divisions: Julius Garfinckel, Brooks Brothers, Miller & Rhoads, Miller's and Joseph R. Harris, as well as the entrance into a new geographic area through the acquisition of Harzfeld's, Inc. Harzfeld's is a soft goods specialty store chain similar to Garfinckel's and based in Kansas City, Missouri with six stores and 1971 sales of $14.5 million and earnings of $317,000. Acquired on a purchase basis, Harzfeld's should make a modest contribution to earnings this year and increase its contribution over the next several years as it benefits from Garfinckel's strong management and improves its margins.

Also contributing to the company's earnings in the next several years will be the openings of new stores scheduled by the various divisions. In March of this year Miller's opened a 190,000 square foot store in Knoxville. This year will also witness the openings of a Harris store and a Garfinckel store at Landover Mall in Prince Georges County, Maryland and a Brooks Brothers store in Houston. In 1973 Harris will open three stores (Springfield, Virginia; Atlanta; and, Oxford, Pennsylvania); Garfinckel, a store in Springfield; and, Miller & Rhoads, three stores (Roanoke; Portsmouth; and its first outside Virginia in Raleigh, North Carolina). For 1974 the company has announced openings of a Miller & Rhoads in Williamsburg and one in Richmond and a Garfinckel's in Chevy Chase, Maryland. These openings resulting in a substantial addition to square footage will allow the company to remain competitive in areas in which its divisions are currently operating as well as to expand into new areas not presently represented.

While we think that on the basis of the revision of our 1972 estimate to $2.15, the Garfinckel stock is attractive for intermediate term investors, we also think that the company's aggressive expansion program makes it similarly attractive for longer term investors. The company's representation is in areas with above average population growth rates as well as in many cases above average per capita income. Its expansion is directed towards the rapidly increasing suburban population and all of its new stores, except those of Brooks Brothers whose principal clientele is still the downtown businessman, are located in suburban shopping centers. Its acquisition of Harzfeld's gives the opportunity to improve margins and profits. The company's healthy earnings increases and its comprehensive expansion program are indicative of its excellent management and we think its stock is a quality opportunity for the investor wishing to participate in the growth of retail trade in the 1970's.

JOSEPH BIANCO
Institutional Trader
Pressman Frohlich & Frost
New York, N.Y.

Consolidated Leasing Corporation

(CLC-NYSE)

Summary And Recommendation

Consolidated's dramatic earnings recovery in fiscal 1972 showed the substantial operating and financial leverage of this varied transportation service company. The improvement reflected also, in our opinion, the effect that a professional, cost-conscious management can produce in favorable industry circumstances. Earnings per share for nine months ended April, 1972 were an impressive $.69 per share versus the depressed 1971 results; but more importantly, were higher (on a larger number of shares outstanding) than the previous earnings record set in 1969. Sales revenues for the nine months were 11 per cent higher than 1971 and also set a new record.

Along with the growth re-established in its current fiscal year, the writedown and phase out of the loss-producing railroad piggyback leasing, and the accompanying absence of meaningful operating losses should lead to significant earnings gains of approximately $0.95-$1.00 per share in fiscal 1972. Further improvement to the $1.15-$1.20 per share level for fiscal 1973 does not include benefits derived from the potential sale of U.S. grain exports or other commodities to Russia and China.

In our analysis, the early 1970's will be a very favorable environment for company operations. In the highway transportation of mobile homes, Morgan Drive Away is the country's largest carrier; in water transportation, Wisconsin Barge Line is a major factor in hauling bulk commodities along the world's busiest inland water transportation system, the Mississippi River. Each of these major subsidiaries account for approximately 40 per cent of pre-tax earnings.

We expect Consolidated to realize internal earnings growth of 15-20 per cent annually in the fiscal 1973-75 period. Rising earnings and an upgraded P/E ratio provide the investor with a favorable risk/reward ratio at the current price.

Perspective

As viewed by some investors, Consolidated Leasing is a widely misunderstood, inappropriately named, and undervalued company in comparison to other transportation service companies. Others remember the company from the late 1960's, when the company interests were in the auto rental and truck trailer leasing business, whereas present day activities are largely related to transportation services. Moreover, the memories of the adverse impact of the recent writeoffs of the loss-producing General Transport Equipment Division, as well as the concern about the possible effect of additional operational and/or capital losses upon the company's profits have recently contributed to selling pressure and a general lack of interest in purchasing this equity. This combination of factors, when considered against a difficult year of declining earnings in 1970 and a deficit in 1971, has caused uncertainty in the minds of some investors about the company's investment value and its ability to achieve sustained earnings growth.

Actually, we think the company's record is good considering the highly unusual period of lower rates that developed in the piggyback leasing industry in 1969. Increased competition on the part of railroads, in a period of general economic uncertainty, resulted in a consistent downward pressure on rates through 1971, severely squeezing independent suppliers of piggyback equipment.

Our observation in this regard follows:

1. The pre-tax loss in fiscal 1971 (totaled $8.3 million) was incurred despite record performances by the two largest subsidiaries and profitable operations by all other major divisions, except General Transport (truck and trailer leasing subsidiary). Most of these non-recurring charges were incurred in connection with the piggyback trailer operation and goodwill. The balance, a $1.3 million charge, came from the discontinuance of a computer service bureau and consulting activities. Thus, the substantial earnings from Morgan, Wisconsin and other profitable operations were unable to overcome the large losses from computer activities and General Transport Equipment.

2. During the past two years, everything that could possibly have gone wrong, did. There is virtually no resemblance between the structure and operating policies of the company (General Transport Equipment) as they were then and as they are now. Furthermore, a significant portion of the trailer fleet has already been sold; and the company is actively seeking to divest itself of the remaining trailer equipment by the end of fiscal 1972, or early fiscal 1973. Operating losses from this division will no longer impede earnings, as the majority of residual trailer units are on a revenue-producing basis. Currently, some 3,000 units remain with approximately 80 per cent of these out on rental. While General Transport Equipment Company penalized earnings for nine months of fiscal 1972 to the extent of $0.07 per share, operations have been at the breakeven level in the subsequent four months and should remain so until final disposition of General Transport Equipment.

3. We think it is quite unlikely that the same circumstances

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CONSOLIDATED LEASING CORPORATION
(CLC-NYSE)

CURRENT PRICE	EARNINGS PER SHARE 1971	EARNINGS PER SHARE 1972E	EARNINGS PER SHARE 1973E	P/E RATIO 1972E	P/E RATIO 1973E	DIVIDEND	COMMON STOCK OUTSTANDING
$9½	($0.72)	$0.95-$1.00	$1.15-$1.20	10X	8X	None	3.8MM shares

How High is "Depressed"?

By DAVID ANDREWS

Basing his opinion on stocks' current and traditional Dividend Yield patterns, Mr. Andrews believes that today's stock market is relatively inflated. H e finds that the public's buying pressure on low-quality, high-risk, so-called "Growth" Stocks," has triggered undeserved increases in the price tags of many better-known, better-quality issues. He rejects P/E estimates as a valid guide in today's stock market, preferring to emphasize corporate cash payout (Yield) as a more reliable gauge of both a stock's quality and the validity of its current market value.

The current levels of the stock market, as well as its future prospects, particularly in view of the Administration's Phase II program, are occasioning increasing comment. A popular opinion in informed financial circles, well expressed in these pages on June 1, 1972 by Howard Hallengren, vice president of Chicago's First National Bank,appears to be that stock prices, as measured by the Dow Jones Industrial and/or the S & P 500 Averages, are presently depressed by Phase II and likely to remain so. Further, the growing trend of public hostility to "profits" bodes ill for the basic fuel that investors traditionally expect to power an upward surge in stock market prices.

How valid is this gloomy evaluation of today and forecast of tomorrow? Frankly, I don't think it's at all valid, and I believe the present levels of stock prices convincingly demonstrate that the public doesn't think so either. In fact, to judge from the unprecedented — and rising — amount of credit that's been extended to buyers for margin purchases, we're right in the middle of one of the biggest and broadest-based Bull Markets on record. Doubtless, it's a peculiar kind of Bull Market. It's not spread clear over the securities industry as its predecessors were. Instead, it's concentrated more or less in a single area, the Over-the-Counter market.

Investment Alternative

Mutual Funds were long touted as the answer to Everyman's investment dream of gradually accumulating wealth. But as the swelling tide of New Redemptions indicates, Mutual Funds are not regarded, in most instances, as simply another kind of speculation, less productive and a trifle riskier than most. It's worse than futile to suggest that the Go-Go Performance Funds were only a passing phase, or that some, like Mates, Enterprise, and Gibraltar Growth, may have changed their spots. A locked barn door is a poor substitute for a retirement cushion gone astray.

The Real Estate Investment Trust boom, supposedly a plausible replacement for small investors, has already lost a good deal of its lustre and, if Continental Mortgage investors; profit picture is any indication, it should lose a good deal more as soon as the inevitable weeding out in the industry occurs.

The public's appetite for fixed income securities, a by-product of the Penn Central fiasco, has increasingly run into the whipsaw of inflationary pressures: a fixed return in a time of rising consumer prices usually means lower market value for bonds or debentures whatever their face value may be.

The same is true of thrift accounts. Interest at 5 per cent, or 5¼ per cent, before taxes, has hardly kept pace with the decline in the dollar's purchasing power. Thus, quite as much by default as by optimistic outlook for the nation and the national economy, investors have been forced back into the equity market as their last, best hope for long-term investment gains.

With what results? To judge from the Dow-Jones Industrial Average in recent months, not very much. Standard & Poor's 500 is somewhat better, but again, somewhat disappointing. If it's not into the big companies, where has the public been pouring its money?

Don't Care About P/E's

The answer is that anything that can reasonably — or unreasonably — be called a "Growth Stock" (or an entire "Growth" industry, for that matter), has been the beneficiary of the public's outpouring of capital. The investing public generally since the early 1950's hasn't been especially concerned with either yield or P/E ratios. Dividend income has become an accepted trade-off for the prospect of capital gains. Astronomical Price-Earning ratios are the rule rather than the exception in favored (franchisers, computers, health) industries.

The investing public's current passion for "Growth" stocks shows most clearly in speculative issues on the Big Board, the calibre of Alaska Interstate, Braniff, Centex, Fanny-May, the Conglomerates, Lockheed, and Union Corp (a bargain-basement Bausch & Lomb, supposedly). On the Amex, it's much the same story, speculative quality, no-dividend to speak of, if any, and every one of the popular issues could double overnight — or drop by 50 per cent, with equal validity. The same is particularly true of the O-T-C. There, trading is fast and furious with "securities" like Omega Alpha, Steak & Ale, White Shield, Pennsylvania Life, Interdata, and Forest Oil matching or exceeding the volume of the Big Board's leaders day in, day out. "Hot new issues" are also back in style, despite investors' sorry losses in other earlier markets.

The consequence of the public's emphasis on "Growth" has been a corresponding increase in market values of many old line medium and top quality issues. Obviously, if Jim Ling's Omega-Alpha is worth $3-4, then how much is an authentic blue chip like J. P. Morgan worth? Over $90, and paying around 3 per cent? Last year the same stock sold as low as $62. National Cash Register is still above $30 a share, despite a reduced dividend, which brings the yield to a bit over 1 per cent. Nabisco has been hovering around the $60 level for some time. Paying only an annual $2.20

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Regular Features

*Columns Not Available

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THURSDAY, JULY 13, 1972

COMING EVENTS

IN THE INVESTMENT FIELD

July 14-15, 1972 (St. Louis, Mo.)
Security Traders Association of St. Louis annual party — July 14 at the Mayfair Hotel; baseball at Busch Stadium, July 15.

July 20-21, 1972 (Pittsburgh Pa.)
Pittsburgh Securities Traders Association annual spring outing at Seven Springs Mountain Resort.

July 24, 1972 (New York City)
Security Traders Association of New York Golf Outing at Tanny Brook Country Club, Cresskill, N.J.

Sept. 14-16, 1972 (Colorado Springs, Colo)
Securities Industry Association Municipal Conference.

Sept. 21-22, 1972 (Atlanta, Ga.)
Georgia Security Dealers Association annual outing — Cocktails and dinner, Marriott Motor Hotel, Sept. 21; Field Day, Friday, Sept. 22.

Sept. 21-23, 1972 (Dallas Tex.)
Dallas Security Dealers Association annual fall party — Sept. 21 Petroleum Club, Dallas; Sept. 22 & 23 at Inn of the Six Flags.

Sept. 28-29, 1972 (Pittsburgh, Pa.)
Bond Club of Pittsburgh Annual Fall Outing at Fox Chapel Country Club.

Oct. 11-13, 1972 (New Orleans, La.)
Tulane University School of Law Annual Tulane Tax Institute at the Marriott Hotel.

Oct. 14-18, 1972 (Scottsdale. Ariz.)
National Security Traders Association 39th Annual Convention.

Nov. 27 Dec. 1, 1972 (Boca-Raton, Fla.)
Securities Industry Association annual convention.

1972 Dividend Actions Improved

Favorable dividend actions: extras, increases, and resumptions — rose to 1,077 (against 868 during 1971's like period) for 1972's first half, according to Standard & Poor's. Of equal interest to investors was the fact that only 101 companies chalked up unfavorable dividend actions — decreases or omissions — against last year's 217.

While much of the increased cash payout has been due to more or less customary annual utility and bank dividend increases, many other segments of the economy are showing renewed vigor and rewarding patient stockholders with the tangible fruits of the continuing upturn in corporate revenues and profits.

COMPANIES AND CONCEPTS

Current Comment On Electric Utilities

By IRA U. COBLEIGH

Utility shares, regarded as growth type equities in the 1950's, but dragging in market animation since the upswing in interest rates in the mid-60's, now appear more desirable, providing yields up to 7 per cent for income buyers, historically low multiples for rapid growth companies, and frequent dividend increases across the list.

For decades, it has been regarded as prudent to have a fair percentage of a conservative investment portfolio in electric utilities for diversification, income, market stability and growth potentials, varying with the companies selected. This traditional investment popularity of utilities might have been sustained but for the rise of interest costs to the highest rates in a century, and rapidly rising costs of capital equipment.

Because utilities are regulated, they simply cannot retain and plow back high percentages of net earnings, after the manner of IBM, Xerox or Corning glass. If they did so, there would arise a howl for rate reductions, because the public would view bulging earned surpluses, on utility balance sheets, with concern. Accordingly utilities, with staggering annual demands for additional facilities, must frequently return to the capital markets. When utility commons sold at higher multiples and interest rates were lower, this constant offering of new securities proved no problem. But with utility stocks now selling in low historical price ranges, and interest on prime first mortgage bonds costing 7 ½ per cent, the management of long term utility financing calls for skill, intuition and market dexterity.

In their 1971-76 construction programs, electric utilities have projected expenditures of over $72 billion. This represents a 75 per cent increase over the preceeding 6 year period when $40.8 billion was laid out. The $72 billion figure points to total external capital raising of about $12 billion in common, $9 billion in preferred and $26 billion in bonds. Much of the $72 billion represents inflation — higher construction wages, and steadily higher prices for power stations, transmission lines, etc.

In 1971, utilities spent $11.8 billion in new plant and equipment, of which internal funds supplied only 26 per cent. For this year, the outlay expected is about $13.5 billion, and again, about 74 per cent will have to be raised externally.

Other problems of the utilities, in addition to needs and costs of financing, include increased rates to offset rising costs. In this matter, the utilities seem to be quite effective. Electric rate increases granted in 1971 totalled $802 million. This year rate increases for the first time in history will probably exceed $1 billion. These additions to revenue are needed not only to offset higher operation and capital equipment costs, but to comply with anti-pollution requirements — smog in the air from burning fossil fuels, and ecology problems stemming from altered water temperatures from rivers utilized in steam generating plants. Ahead, nuclear power production may solve generating problems but many communities are still very sensitive about location of atomic plants in their areas. Add to the above items the power failures and blackouts in recent years and you can understand that utilities are not having an easy time in maintaining a favorable and attractive public image. When the public becomes displeased with the utility serving it, there has been a higher incidence of customer protest against rate increases.

Viewing the industry panaramically, it would appear the inflationary costs of operation and new equipment are under better control now, and interest rates, while still high, have stabilized. Increased demand and improved rates are expanding revenues so that many well managed companies are reporting good increases in profits, and are increasing their dividends. Some companies, too, benefitting from Federal Tax Laws permitting accelerated depreciation, provide significant tax shelter in their dividend distributions.

Interesting equities might include Nevada Power Co. (NYSE at 35, paying $1.30), serving Las Vegas, which increased its per share net 12 per cent from 79 cents to 89 cents in first quarter of current fiscal year; and Northeast Utilities, headquartered in Hartford Conn. (common listed NYSE at 14 ¼, paying 98 cents) which, in 12 months ended 3/31/72, increased per share net from $1.07 (preceding year) to $1.43. Both companies have been granted sizeable rate increases in the past year.

Puget Sound Power and Light Co., got an 11.5 per cent rate increase effective April 18, 1972 and President Ralph Davis has estimated per share earnings for the year at $3.15 against $2.80 last year. Puget Sound common (NYSE) at 30 paying $1.98 yields 6.6 per cent.

Texas Utilities

A favorite utility stock among the institutions is Texas Utilities (its common is held by 340 institutions), whose service area embraces about one third of the state, containing 3.6 million population, also about one third of the state total. Principal cities in the 75,000 square mile service sector are Dallas and Fort Worth. This is one of the fastest growing regions of the United States and, accordingly, Texas Utilities has displayed a quite remarkable growth rate in earnings and dividends. Its business is nicely balanced -- 44 per cent residential, 29 per cent commercial, 20 per cent industrial and 7 per cent miscellaneous.

A recently granted 6 per cent rate increase is expected to boost 1972 profits to $1.95 against $1.85 last year. The stock (listed NYSE) was recently split 2 for 1 with the new stock now selling at $28 ½, with a $1 dividend basis anticipated. Common stock represents about 39 per cent of capitalization—a ratio well above the average among electric utility companies. The company is expected to raise $95 million in senior capital this year, $70 million in bonds and $25 million in preferred stock. In March 1971, the company sold 750,000 common shares (before the split) at 57 ⅜.

Reflecting its growth-type classification, TXU sells at a multiple of 16 times earnings. As a blue chip utility, these shares seem to have merit.

Niagara Mohawk Power

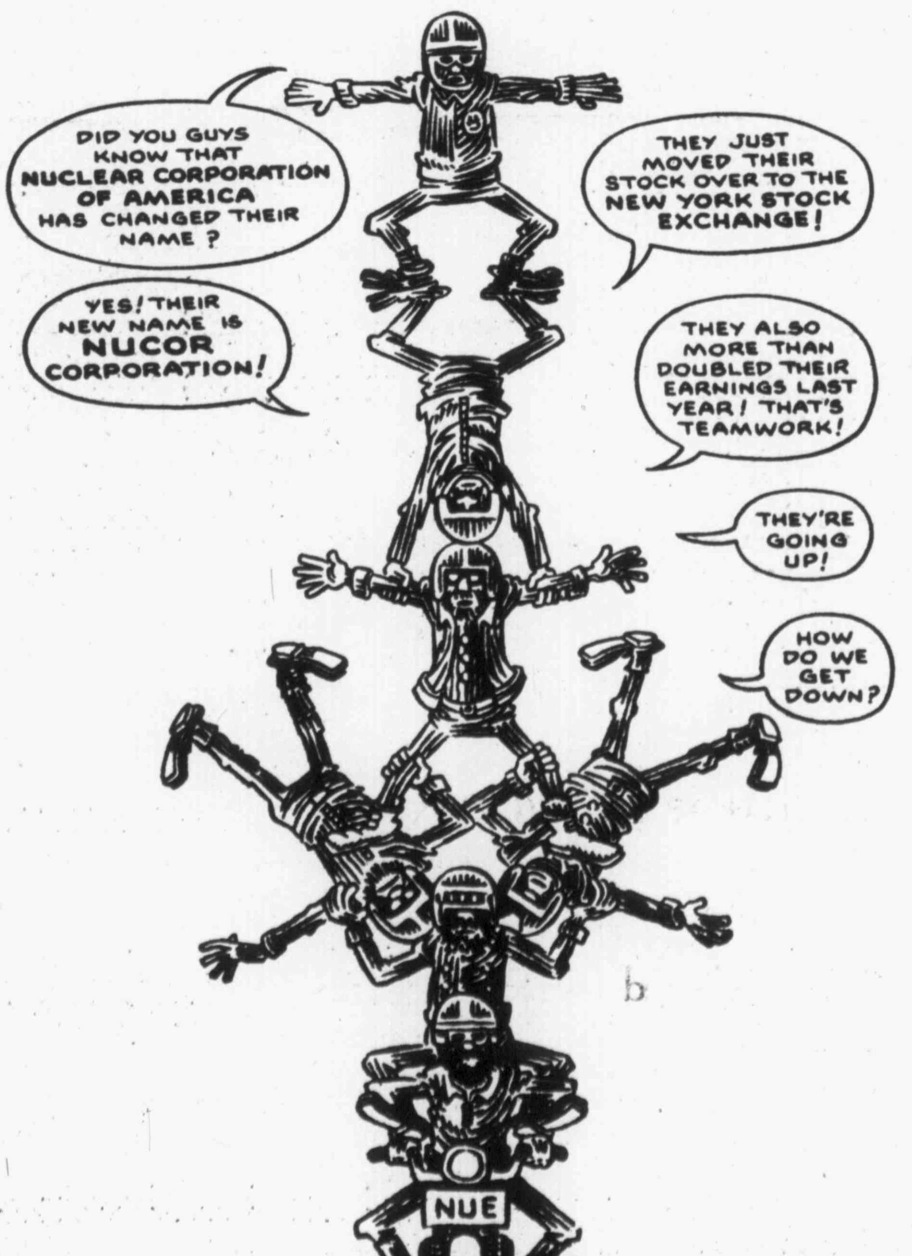
While not in the growth class with TXU, Niagara Mohawk has much to offer. Its common stock, selling at 15¾, affords a 7 per cent yield from the $1.10 dividend. In 1971, 85 per cent of this dividend was tax sheltered because it represented a return of capital (the percentage will be lower in 1972).

Niagara Mohawk has a big construction program in 1972 involving an outlay of roughly $200 million. This has been financed, in part, by the sale of $80 million in mortgage bonds; and additional common stock is planned for Fall offering.

Niagara Mohawk provides both gas and electric services (77 per cent) to a total of 3 ½ million customers in a broad area in Eastern and Northern New York, including the cities of Albany, Troy, Syracuse, Niagara Falls and Buffalo. A rate increase totalling $46 million was granted in 1972 and should result in the expansion of earnings to a new high. We would anticipate a figure of about $1.60 a share against $1.47 last year. This is plenty of coverage for the $1.10 dividend.

Niagara Mohawk common appeals particularly to income-buyers and those who prefer equities with strong defensive characteristics. Selling at 10 times anticipated 1972 net, the shares could hardly be called overpriced. The issue is owned by about 75 institutions.

Those who have bought good utility issues (such as the foregoing) and retained them over many years have been well rewarded in income and insulation from market jolts. There's nothing wrong in having a few selected utilities in your portfolio.



Anderson, Peters & Hunt Formed

Anderson, Peters & Hunt, Inc., has been established to deal exclusively in tax-exempt securities. Headed by Gary L. Peters, Cary M. Anderson and Robert V. Hunt, all former officers of UMIC, Inc. in its New York City office. The new firm is located at One Whitehall Street, New York City.

Gary L. Peters is chairman. He had been UMIC's executive vice president and directed that firm's New York City office.

Cary M. Anderson is president. He had been a senior vice president and institutional manager at UMIC in New York.

Robert V. Hunt, executive vice president, had been vice president-retail sales manager at UMIC in New York.

Also staffing the new firm as assistant vice presidents are: Howard Feldman, Alan Forman, Frank Gallogly, Mel Kelem and Peter O'Neill. All five had also been with the New York City office of UMIC, Inc., before its recent closing by the Memphis based firm.

Dan Bailey Joins Oregon Bank

PORTLAND, ORE. — Dan Bailey has become associated with the Trust Division of the United States National Bank of Oregon, 309 Southwest Sixth Avenue, as a trader.

Security Salesman's Corner

By JOHN DUTTON

Market Declines Are Opportunities

A specialist in mutual funds has used the recurring dips in the market to build his business and create many satisfied clients. During the past few months when many registered representatives, who rely primarily upon trading accounts for their production have again been singing the blues, this salesman has had peak volume business.

Since he is not oriented toward quick profits or intermediate term speculation, he also believes with the conviction based upon the record, that an investor who buys the Dow Industrials, or any other representative index of common stock, and uses some sensible timing, would within several decades, have enjoyed one of the most superior investments in the world.

Few Investors Can Buy The "Dow"

Of course, it is cumbersome to acquire the stocks in these indexes. When he has a conference with an investor, he shows them a historical chart of the average of common stock prices. He explains how it is possible to invest in mutual funds and obtain the equivalent of the averages plus many other advantages. He shows how it is possible for mutual funds to "Do for you what you cannot do for yourself." Presented properly, it is a very convincing argument and it emphasizes the proper way to offer funds, on a strictly long term investment basis.

Visual Sales Aid

In the past few years, a simple idea has enabled this salesman to convince many investors regarding the worth of a long term investment in common stocks via mutual funds. Several years ago, during the 1966 sell-off, an economist made the headlines by predicting a possible economic recession of major proportions. Another page from that same paper was headed, "Market Decline Puzzling," and an accompanying chart showed the ups and downs in the Dow Industrials from 1956 through 1966. This was captioned, "Great Decline." It related how the Dow had dropped 24.06 points in one week. (Sound familiar)?

This salesman copied this material along with the following chart of the Dow Industrials since 1956.

This chart visualizes that the record proves that instead of financial calamities, these stock market recessions are the best time to buy the EQUIVALENT OF THE AVERAGES. Note that during this decade above, there were six declines. Their average duration was about nine months. Then another advance took place.

Reality Vs. Emotionalism

One of his sales involved a sale (in about five minutes) of $10,000 worth of mutual funds that was consummated by simply helping a customer to put her thinking in the proper perspective. This lady was holding several mutual funds and was receiving a level monthly payment under a withdrawal plan. She had telephoned him quite excitedly and was worried because her funds had dropped in market value during a recent general market sell-off. He asked her to come to his office and made an appointment with her to do so.

When she called, he showed her copies of the newspaper articles and the highly emotional press stories that made the headlines in 1966. Then he asked, "Tell me, please, where did you get the impression that this was the time to be so pessimistic and negative about your funds? Was it from the newspaper, or some friends who are not investment specialists? When the market advances, haven't you noticed that your funds usually advance and when the market declines isn't it normal that they also decline?" She admitted this was so. She had heard friends talking about the stock market decline and was worried.

Next, he showed her an up-to-date chart such as the one listed here. They went over past declines and recoveries together and she clearly saw that her good mutual funds were doing just what they were supposed to do. They declined some when the market went down and they moved up when it recovered, but over a period of years going back to 1950, it was a story of substantial advance.

The customer was so relieved, she told the salesman she had another $10,000 she might possibly invest if he thought the time was right. He replied that since she was interested in obtaining more income, that she could buy more income to-day when the market was at its peak, for the same $10,000. She replied, "You are the expert, go ahead."

You dispel misconceptions with plain facts, properly presented. You can do business in both bull and bear markets if you know your merchandise, what it can and cannot do, and the purpose people want to try and achieve when they invest. That is what differentiates order takers from salesmen.

Comparison Stock Market Declines

From The Previous High		To The Next Low		% of	Duration
Date	Figure	Date	Figure	Decline	of Decline
7/31/56	517.81	12/31/57	435.69	-15.9%	17 mos.
12/31/59	679.36	10/3/60	577.81	-14.9%	9 mos.
11/24/61	732.60	6/22/62	539.19	-26.4%	7 mos.
2/11/66	989.04	10/7/66	744.32	-24.7%	8 mos.
9/25/67	943.08	3/21/68	825.13	-12.5%	6 mos.
11/29/68	985.08	7/29/69	801.96	-18.6%	8 mos.

CONVERTIBLE SECURITIES CORNER

Previously Recommended Convertibles

By TOBIAS GRUEN*

Some of the issues recommended in the previous articles increased in price substantially. Others declined in value. The investor should re-study thoughtfully each issue. The decline in price does not necessarily reflect a change in the fundamental characteristics of the issue. It may provide excellent accumulation opportunities.

In the March 16, 1972 "Convertible Securities Corner" article, three convertible debentures were recommended, namely, Jostens, Inc. 4 ¾ 1988 at $81, Sola Basic 4 ½ 1992 at $94, and Champion Paper 4 ½ 1984 at $105.

While the first two improved in price, the latter declined to around $97. (as of June 22). When the convertibles increase in price, the investor should follow the Selling and Repurchasing policies outlined in the previous articles. When the issues decline in price, one should start a re-evaluation study.

Champion Paper 4 ½ / 1984

On June 21, 1972, these debentures traded at $97 high and $96.50 low. On the same day, the $1.20 preferred and the common traded at $25.50 and $23.50, respectively. Each $100 principal amount of debenture is convertible into 2.17 shares of the $1.20 convertible preferred and 1.74 shares of the common. Thus, the conversion value on June 21, 1972, was $96.22 (2.17 X $25.50 equals $55.33 + 1.74 X $23.50 equals $40.89).

The premium over conversion value was practically nil. At those prices, the current yield is 4.7 per cent on the preferred, 3.6 per cent on the common, and 4.6 per cent on the debenture, respectively.

The preferred are, in turn, exchangeable into the common on a share per share basis. The price relationship of the preferred to the common on that day showed a premium over conversion value of about 8 per cent.

From time to time, the names of companies change. It is very important that the investor keeps a record of all these changes. This gives him an opportunity to compare the premiums over conversion value instantly. In this instance, the name of the company (into whose shares the debentures are convertible) has changed from U.S. Plywood and Champion Paper to Champion International.

Champion International has excellent long-term growth prospects. This company operates one of the largest forest product enterprises in the United States. It also has interests in the furniture and carpet fields.

While net sales recorded phenomenal growth during the 1962 to 1971 period, earnings per share were volatile. In 1962 earnings per share amounted to $1.07. It then increased uninterruptedly until 1966 when it amounted to $1.87. In 1967 it declined to $1.42. It recovered to $1.80 in 1968 and in 1969 it reached a high of $2.07. However, in 1970, it plummeted to a low of $0.97. In 1971 it recovered to $1.24.

There are good reasons to believe that in 1972 the company will continue to show improvements. In the first quarter of 1972, earnings per share amounted to 35 cents versus 22 cents for the same period in 1971. It is authoritatively estimated that earnings per share this year may exceed the $1.50 level.

Recently, Mr. Karl R. Bendetsen, chairman and chief executive officer of Champion International, stated that 1972 will be a fine year for the company and that he believes that 1973 could well be a record year.

This security afforded many accumulation, selling, and re-purchasing opportunities during the last few years. In 1966 it traded at a low of $85, while in 1967 it increased to $125. Again, in 1968 it declined to a low of $97.25 while in 1969 it traded at a high of $160.⅛ In 1970 it dropped to a low of $87, while in 1971 it recovered to a high of $140. In 1972 (up to June 22) the low was $96.50 while the high was $118.

At maturity (in 1984) the company has to pay back par ($100), while on the common and on the preferred the company does not have to pay back any part of the investment. Should the expected growth prospects materialize, the convertible debenture will participate in the favorable outcome.

At present levels, this convertible debenture appears attractively priced for either direct accumulation or via hedging.

Footnote:

The author is Vice President - Economist of Oswald Drinkwater & Graham Ltd., Montreal, Canada.

The "Convertible Securities Corner" is a sequence of articles on this subject. It is impossible to cover all aspects in one article. It is advisable to re-study the previous "Convertible Security Corner" articles, as well as the following which have appeared in the COMMERCIAL AND FINANCIAL CHRONICLE, while starting the investment strategy: "Investment and Trading Opportunities in Convertible Securities" - January 7th, 1971. "Taking Another Look at Investment and Trading Opportunities in Convertible Securities" July 8th, 1971 and "Convertibles Good Risks in New Year" - January 6th, 1972.

1st Wisc. Bank Names Johnston

MILWAUKEE, WIS. — Neil Johnston has been elected a senior vice president of First Wisconsin National Bank of Milwaukee.

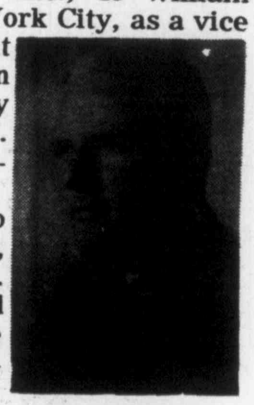
Neil Johnston

Johnston, formerly senior vice president and treasurer of Employers Insurance of Wausau, will succeed Edwin J. Wigdale, senior vice president, as head of the Investment Division upon Mr. Wigdale's retirement in December under the bank's retirement program, according to George F. Kasten, chairman. The position involves Mr. Johnston's participation with the bank's Municipal Bond Department, Money Center and Investment portfolio.

Mr. Johnston had been with Employers Insurance of Wausau since 1953, serving also as senior vice president and treasurer of Employers Mutual Liability Insurance Company of Wisconsin, Employers Mutual Fire Insurance Company and Employers Life Insurance Company of Wausau. Prior to that, he had been with an investment banking firm in Chicago.

Murray Joins Dillon, Read

George A. Murray, former president of Hayden, Stone Incorporated, has joined Dillon, Read & Co. Inc., 46 William Street, New York City, as a vice president, it has been announced by Nicholas F. Brady, president.



George A. Murray

Prior to joining Dillon, Read, Mr. Murray served as executive vice president-marketing, director and member of the executive committee of CBWL-Hayden, Stone Inc. following the consolidation of those two brokerage firms.

TAX-EXEMPT BOND MARKET

By WILLIAM J. RILEY*

A Funny Thing Happened On the Way To City Hall

This was the biggest week so far this year in new issue volume of state and municipal bonds — $625,382,870, to be exact, advertised for competitive bids. The largest single item was New York City's $267,200,000 bonds for which bids were opened yesterday, July 12, at 11 a.m.

The Chase Manhattan Bank syndicate made the better of two bids at a net interest cost of 6.168 per cent. The rival First National City Bank group bid 6.172 per cent. This was an extremely close cover. The Chase syndicate immediately reoffered, assuming they had won the bonds.

After the bids were opened it was discovered that the bid form filed by the Chase Manhattan Bank had incorrectly stated the par value of bonds bid for, an obvious, technical error, as we were informed. This is an ever-present hazard in deadline bidding that only those who have had to handle the presentation of a bid can understand and appreciate. At any rate, the offering of the bonds was delayed until late afternoon. The psychological effect on the market, as it turned out, was beneficial. Potential investment buyers, it was reported, anxiously awaited the outcome, eager to place orders.

The situation was resolved as follows: the City fathers awarded the bonds, according to the terms of the Notice of Sale, to the First National City Bank syndicate. The FNCB-Group then sold half the loans to the Chase group at the equivalent of the Chase bid. Both groups then reoffered at the same terms which were the coupon notes and yield scale set by the FNCB-Group's bid.

This was considered by all parties an equitable and amicable arrangement that would aid the market for New York City bonds.

A new order period was set for 5:00 p.m., Wednesday, July 12.

At press time thus was no official report on distribution.

The re-offering scale ranged from 4.25 per cent for the Jan. 15, 1974 maturities to 6.8 per cent for the 5 per cent bonds due 1996 to 2013. Earlier maturities carried coupon rates ranging from 6 per cent to 7 per cent.

Many other issues of important size came to market, with state names predominating such as Oregon, Louisiana, Wisconsin and Florida. Some moderate easing in the price structure was seen here and there, according to name and maturity, but the net general level of the Tax-Exempt Bond Market held remarkably well so far this week. Overall reception of buyers to the larger offerings of general market names was only fair. It was chiefly a marketing problem this week in the Tax-Exempt Bond Market. There was no marked change in the theoretic background or no new pronounced influence. The outlook for long term interest rates continued either adverse or at best uncertain. Short term rates continued to rise. Inflation worries persist. The Federal budget deficit is a matter of concern. The international monetary crisis has not been laid to rest. Add to this the unfavorable reaction in financial circles to some of George McGovern's proposals. The outlook has become a guessing game for the analysts. The best thing going for the Tax-Exempt Bond Market has been relatively high yields.

A summary of the week's larger issues follows: Monday, July 10, $43 million, State of Oregon, General Obligation Bonds of 1972, Series C, Moody's Rating. S&P Rating. Net Interest Cost 4.788 per cent Syndicate Managers: Chase Manhattan Bank, White, Weld & Co. and Chemical Bank Reoffering July 15, 1973 .90 per cent to 1990 - 1991 - 5 per cent bonds at 5.20 per cent, 1992-4 per cent bonds at 5.50 per cent.

Tuesday, July 11

$75 million, State of Oregon, Veterans Welfare, Moody's Rating S&P Rating AA, net interest cost 4,8709 per cent, Syndicate Managers. Chase Manhattan Bank Dillon, Reed Municipals, Inc. , and Eastman, Dillon Union Secs. & W., Inc. Aug. 15, Reoffering: 1982-4.30 per cent, 1988-5.15 per cent. $54 million, State of Louisiana, General Obligation Bonds, Moody's Rating A-1, S & P rating AA, net interest cost 4.9855 per cent. Syndicate Managers: First National City Bank, and Halsey, Stuart & Co., Inc., First Boston Corp. and Bank of America. Reoffering: July 15, 1973 3.00 per cent to 1991 5 per cent bonds at 5.30 per cent, 1992 4 per cent bonds at 5.65 per cent. $26 million. Florida State Board of Education, Revenue Moody's Rating Inc. S&P Rating AA, Net interest cost, Syndicate managers: White, Weld & Co., Inc., John Nuveen & Co., Inc., Merrill Lynch, Pierce, Fenner & Smith, Inc. Reoffering: May 1, 1973 to 2002 — 3.00 per cent to 5.50 per cent. Future supply continues on the high as the 30-day Visible Supply, as compiled by the Daily Bond Buyer remained yesterday over the $1 billion mark. Competitive issues added up to $1,049 million the negotiated figure consists only of the $150 million New York State Urban Development Corp. issue, slated for July 26. Floating supply as measured by the Blue List Total, stood yesterday at 742 million, including housings; slightly under the previous week's $767 million, but showing an increase with recent syndicate balances.

STATE AND MUNICIPAL BONDS

	Jan. Maturity	July 5 Week	July 12 Week
Baltimore	1988	5.40	5.50
California	1988	5.00	5.00
Connecticut	1987	4.90	4.90
Detroit, Michigan	1989	6.30	6.30
Los Angeles, Calif., Dept. of Water and Power	1989	5.20	5.20
Massachusetts	1988	5.00	5.00
New York State	1986	5.00	5.00
New York City	1988	6.60	6.50
Public Housing Authority	1989	4.80	4.80
Philadelphia	1989	6.00	6.00

Average: July 5 — 5.48 per cent, July 12 — 5.48

***Mr. Riley is associated with Laidlaw & Co., Inc., New York**

Ford Credit & Ford Motor Co. Debt Offerings

Goldman, Sachs & Co., New York, as manager of a nationwide underwriting group, announces the public offering of $175,000,000 of Ford Motor Credit Co. 4⅞ per cent convertible subordinated debentures due July 15, 1998; and $100,000,000 of Ford Motor Co. 6½ per cent notes due July 15, 1979. The debentures are being offered at par, and the notes at 100.45 per cent, in both cases plus accrued interest from July 15, 1972.

The debentures will be convertible at any time prior to maturity, unless previously redeemed, into common stock of Ford Motor Co, at a rate of 14.43 shares for each $1,000 principal amount of debentures (equivalent to a conversion price of $69.30 per share), subject to adjustment in certain events. The conversion price represents a premium of 10 per cent over the closing price for Ford stock of $63 on July 10.

The notes offered are being sold by The Ford Foundation, and no part of the proceeds from their sale will be received by Ford Motor Co. or Ford Motor Credit. The notes are part of a $150,000,000 issue exchanged by Ford Motor Co. with The Ford Foundation for non-voting Class A stock of Ford Motor. The Class A shares acquired from the Foundation as a result of the exchange, together with shares purchased from the Foundation for cash, will be equal to the number of common shares deliverable upon conversion of the debentures.

Net proceeds from the sale of the debentures will be added to the general funds of Ford Credit, and will be available for the purchase of receivables and for loans.

The debentures are redeemable by Ford Credit at prices starting at 104.875 per cent on July 15, 1972, and declining annually thereafter to par on and after July 15, 1991, plus accrued interest. The notes are not redeemable prior to July 15, 1978, and on and after that date they are redeemable at the option of Ford Motor Co. at their principal amount, plus accrued interest.

The Ford Foundation is a non-profit corporation organized exclusively for scientific, educational and charitable purposes. The exchange, involving 2.5 million shares, is part of the Foundation's continuing program of diversification of investments and will reduce the Foundation's holdings of non-voting Class A stock to approximately 11.7 per cent of all outstanding stock of the company. Although the Foundation is entitled to convert its Class A stock into common stock of Ford Motor Company, for the purpose of making public distributions, and retains full discretion to do so, the Foundation has no current plans to make any such distribution.

LARGER ISSUES SCHEDULED FOR SALE

JULY 13 (THURSDAY)			
Deming School Dist. No. 1, N. Mex.	1,800,000	1973-1986	10:00 a.m.
Henryetta Mun. Auth., Okla.	1,250,000	1973-1997	7:30 p.m.
Hocking Conservancy Dist., Ohio	3,050,000	1973-1992	10:00 a.m.
Johnson Co., Kan.	4,500,000	1973-1992	11:00 a.m.
Tempe, Ariz.	2,000,000	1974-1983	8:00 p.m.
Tempe, Ariz.	1,000,000	1974-1978	8:00 p.m.
University of Northern Iowa	3,500,000	1973-1992	11:00 a.m.
JULY 17 (MONDAY)			
Edgewater Park Tp. School Dist., N.J.	1,125,000	1973-1988	8:00 p.m.
Idabel, Okla.— Two Issues	1,000,000 (Total)	1974-1992	1:30 & 2:00 p.m.
Plainfield, N.J.	2,545,000	1973-1997	8:00 p.m.
Round Lake Community Unit School Dist. No. 116, Ill.	1,000,000	1976-1984	2:00 p.m.
Sea Isle City, N.J.	3,100,000	1973-1996	8:00 p.m.
JULY 18 (TUESDAY)			
Alabama Pollution Control Finance Authority	2,500,000	1982-1992	10:30 a.m.
Brownstown Consolidated School Building Corp., Ind.	1,985,000	1975-1999	Noon
Chester, Etc. Regional School Dist. No. 4, Conn.	1,069,000	1973-1990	11:30 a.m.
Fargo, N.D.	2,600,000	1973-1988	11:30 a.m.
Green Ridge Municipal Utility Dist., Tex.	2,545,000		
Hawaii (State of)	60,125,000	1975-2007	2:00 p.m.
Hancock County, Ky.	1,650,000	1973-1992	10:00 a.m.
Iowa City, Iowa	2,000,000	1974-1998	1:00 p.m.
Maine (State of)	13,500,000	1973-1992	11:00 a.m.
Omaha-Douglas Public Bldg. Comm. Omaha, Neb.	25,000,000	1975-1997	11:00 a.m.
Perryville, Md.	1,130,000	1973-1997	11:00 a.m.
Pontiac, Mich.	5,100,000	1973-1997	2:00 p.m.
South Park Independent School Dist., Tex.	3,150,000	1973-1984	
Virginia Public School Authority	20,000,000	1974-1993	
Whiteville, N.C.	1,200,000		
JULY 19 (WEDNESDAY)			
Albertville, Ala.	2,000,000	1973-2002	11:00 a.m.
Boston Metropolitan Dist., Mass.	14,933,000	1973-1992	Noon
Dallas, Texas Water & Sewer Rev.	15,186,000	1973-1992	1:45 p.m.
Demarest, N.J.	3,850,000	1973-1992	8:00 p.m.
Helena High School Dist. No. 1, Mont.	1,696,667	1973-1992	1:30 p.m.
Merrimack Sch. Dist., N.H.	1,600,000	1973-1992	11:00 a.m
JULY 20 (THURSDAY)			
College of Charleston, S.C.	1,100,000	1974-2002	Noon
Missouri (State of)	20,000,000	1973-1997	11:00 a.m.
Paterson Parkg. Auth., N.J.	4,000,000	1976-2012	11:00 a.m.
Ohio (State of)	75,000,000	1973-1997	11:00 a.m.
Rochester, N.Y.	17,520,000	1972-1983	2:00 p.m.
Texas (State of)	20,000,000	1973-1997	10:00 a.m.
Washington Co., Md.	3,000,000	1973-1987	Noon
JULY 24 (MONDAY)			
Decatur, Illinois	8,000,000	1973-1992	10:00 a.m.
Lakeland, Fla. Elec. & Water Revs.	28,000,000	1975-1996	2:00 p.m.
Orange City School Dist., Ohio	2,500,000	1973-1990	1:00 p.m.
Port Huron, Mich.	4,300,000	1976-1992	3:00 p.m.
JULY 25 (TUESDAY)			
Anchorage, Alaska	5,000,000	1974-1988	10:00 a.m.
Chesapeake, Va.	2,660,000	1973-1991	11:00 a.m.
Galveston Co. Water Control and Improvement Dist. No. 1, Tex.	1,075,000	1974-1994	7:30 p.m.
Illinois (State of)	100,000,000	1973-1997	10:00 a.m.
Jackson Co., N.C.	1,425,000	1974-1995	11:00 a.m.
Jacksonville State University, Ala.	2,500,000	1973-1997	11:00 a.m.
Mankato, Minn.	1,900,000	1974-1984	11:30 a.m.
Memphis, Tenn.	16,000,000	1975-1999	10:00 a.m.
Volusia Co. -Wide School Dist., Fla.	10,000,000	1974-1992	11:00 a.m.
Xenia, Ohio	2,000,000	1973-1992	Noon
JULY 26 (WEDNESDAY)			
Decatur, Ill.	8,000,000	1973-1992	10:00 a.m.
Jackson Co., Mich.	8,100,000	1974-2001	2:00 p.m.
Kodiak Island Borough, Alaska	4,000,000	1974-1992	9:00 a.m.
At Kodia and 11:00 a.m. at the Attorney's Office in Seattle			
Maryland (State of)	93,505,000	1975-1987	Noon
New York State Urban Development Corp.	150,000,000		
General purpose revenue bonds with syndicate managed by First Boston Corp., First National City Bank, Morgan Guaranty Trust Co. of New York, Chase Manhattan Bank, N.A. Bankers Trust Co., Salomon Brothers and Eastman Dillon, Union Securities & Co.			
Rosenburg Sch. Dist. No. 4, Douglas County, Ore.	1,485,000	1974-1985	8:00 p.m.
JULY 27 (THURSDAY)			
Auburn Univ., Ala.	2,560,000	1975-2004	11:00 a.m.
Carmel Multi School Building Corp., Ind.	5,330,000	1976-1998	12:30 p.m.
Covington Exempted Village School Dist., Ohio	1,236,000	1973-1984	Noon
JULY 31 (MONDAY)			
Kenner Consolidated Sewerage Dist., La.	2,000,000	1973-1992	4:00 p.m.
AUGUST 1 (TUESDAY)			
Chippewa Falls, Wis.	1,965,000	1975-1992	7:30 p.m.
Lake Washington School Dist. No. 414, Wash.	2,775,000	1974-1982	11:00 a.m.
Mississippi (State of)	9,650,000	1973-1992	10:00 a.m.
Mississippi (State of)	7,000,000	1974-1987	10:00 a.m.
New Mexico, State of	4,500,000	1983	10:30 a.m.
Pompano Beach, Fla. Water Ctfs. and Sewer Bonds	5,290,000	1974-2002	11:00 a.m.
Rigolette Sch. Dist. No. 11, Rapides Parish, La.	1,416,000	1973-1981	1:45 p.m.
AUGUST 2 (WEDNESDAY)			
Los Angeles Dept. of Water & Power, Cal.	15,000,000		
AUGUST 3 (THURSDAY)			
Lenape Valley Regional High School Dist., N.J.	5,180,000	1974-1997	8:00 p.m.
AUGUST 7 (MONDAY)			
Hammond School City, Ind.	1,000,000	1975-1976	8:00 p.m.
AUGUST 8 (TUESDAY)			
Farmington Ind. Sch. Dist. No. 192, Minn.	3,570,000	1975-1993	8:00 p.m.
Montclair, N.J.	6,129,000	1973-1992	8:00 p.m.
AUGUST 9 (WEDNESDAY)			
Terrebonne Parish, La.	2,000,000		6:30 p.m.
AUGUST 15 (TUESDAY)			
Ohio Public Facilities Comm. Rev.	50,000,000		11:00 a.m.

Irving Trust Calendar also Investment Dealers Digest

$175,000,000

Ford Motor Credit Company

4⅞% Convertible Subordinated Debentures due July 15, 1998

Convertible into Common Stock of Ford Motor Company

Price 100%
plus accrued interest from July 15, 1972

$100,000,000

Ford Motor Company

6½% Notes due July 15, 1979

Price 100.45%
plus accrued interest from July 15, 1972

Upon request, a copy of the Prospectus describing these securities and the businesses of Ford Motor Credit Company and Ford Motor Company, respectively, may be obtained within any State from any Underwriter who may regularly distribute it within such State. The securities are offered only by means of the Prospectus, and this announcement is neither an offer to sell nor a solicitation of any offer to buy.

Goldman, Sachs & Co.

Dillon, Read & Co. Inc. — The First Boston Corporation — Kuhn, Loeb & Co.

Lehman Brothers Incorporated — Merrill Lynch, Pierce, Fenner & Smith Incorporated — Salomon Brothers

Drexel Firestone Incorporated — duPont Glore Forgan Incorporated — Eastman Dillon, Union Securities & Co. Incorporated — Halsey, Stuart & Co. Inc.

Hornblower & Weeks-Hemphill, Noyes — Kidder, Peabody & Co. Incorporated — Lazard Frères & Co. — Loeb, Rhoades & Co.

Paine, Webber, Jackson & Curtis Incorporated — Stone & Webster Securities Corporation — Wertheim & Co., Inc.

Dean Witter & Co. Incorporated — Bache & Co. Incorporated — Basle Securities Corporation — Bear, Stearns & Co. — Deutsche Bank Aktiengesellschaft

EuroPartners Securities Corporation — Hill Samuel Securities Corporation — E. F. Hutton & Company Inc. — Kleinwort, Benson Incorporated

New Court Securities Corporation — Paribas Corporation — Reynolds Securities Inc. — N. M. Rothschild & Sons Limited

J. Henry Schroder Wagg & Co. Limited — Shearson, Hammill & Co. Incorporated — SoGen International Corporation

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W. H. Morton & Co. Incorporated — The Nikko Securities Co. International Inc. — Nomura Securities International Inc. — John Nuveen & Co. Incorporated

Piper, Jaffray & Hopwood Incorporated — R. W. Pressprich & Co. Incorporated — L. F. Rothschild & Co. — Shields & Company Incorporated

F. S. Smithers & Co., Inc. — G. H. Walker & Co. Incorporated — Walston & Co., Inc.

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Friedman Industries, Inc. — analysis — S. D. Fuller & Co., Incorporated, 26 Broadway, New York, N. Y. 10004.

General Instrument — chart analysis — Black Stein Kimball, Inc., Bergen Mall Office Center, Paramus, N. J. 07652 Also available are chart analyses of *Cooper Laboratories* and *Control Data.*

Graco — analysis — Piper, Jaffray & Hopwood, Inc., 115 South Seventh Street, Minneapolis, Minn. 55402. Also available is a report on *K-Tel International* and a survey of *Agricultural Business* companies.

Hammermill Paper Company — analysis — Argus Research Corporation, New York (sample copies available through firms using Argus Research services). Also available are reports on *Security Mortgage Investors, Eli Lilly & Co.,* and *Joy Manufacturing Co.*

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International Scanning Devices, Inc. — analysis — Security Investment Services Corp., 53 State Street, Boston, Mass. 02109

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INTERNATIONAL REPORT

Selling Wave Hits Sterling

By PAUL EINZIG

Mr. Einzig is concerned with the degree of uncertainty clouding sterling. Despite a brightening economic picture, he foresees further devaluation as a distinct possibility unless England's labor unions adjust their wage demands downward to conform with the nation's competitive realities.

LONDON, ENG. — It had been widely expected that after the first onrush of selling by holders of sterling balances, sterling would settle down at a relatively moderate discount. The heavy selling wave that developed during the second week of sterling's floating period took most people by complete surprise. At the time of writing, sterling is down to the vicinity of its pre-Smithsonian parity in relation to the dollar. And it seems by no means certain that it will not decline below $2.40.

Admittedly the rate of $2.40 has a psychological significance and there must be many people who would not expect it to decline below that figure. But from a material and technical point of view, there is no reason why it should not decline further. One of the effects of adopting the system of floating rates is that all limits to a depreciation are eliminated.

It is difficult to form an opinion whether, at $2.40, sterling is overvalued or undervalued. Anyhow the meaning of those terms has been grossly overrated. Even if sterling were undervalued at $2.40 it would not necessarily exclude its further depreciation. For undervaluation is apt to create its own justification. It tends to step up the rise in prices in the country whose currency is undervalued. As a result, even if originally the depreciation was unjustified, subsequently it might well become justified.

All depends on the rate at which wage inflation will proceed in Britain. The Government seems to be under the impression that the trade unions might be frightened by the depreciation of sterling into moderating their wage demands. Possibly that may be the case as far as trade union leaders are concerned. But as for the rank and file, they just could not care less. They are out to get the maximum of wage increases regardless of the consequences.

Nor is this the only source of danger. It is generally expected that the pressure on sterling will increase when Britain joins the Common Market next year. Nobody has an idea about the extent to which it will affect sterling, so that it is impossible to judge whether at $2.40 sterling would discount the effect of joining the EEC. Many people assume that the reduction of foreign balances from their abnormally large size would not necessarily mean that there would be no further depreciation of sterling after the turn of the year.

But the main reason why sterling is so weak lies in the absence of any firm resistance to its depreciation by the British authorities. There was a certain amount of support by the Bank of England, but most of the support came from the EEC Central Banks. They are of course in a position to recover the cost of their support. Under the terms of the agreement the Bank of England will have to re-purchase the sterling they bought in June at the end of July and the sterling bought in July at the end of August. Payment must be made in gold, SDRs, dollars and other currencies in exact proportion in which they are held.

It is true, the possibility of a deferring of the settlement through rolling over the commitment for three months in the form of swap transactions does exist. But it is an arrangement which is subject to the consent of the Central Banks concerned. Anyhow, a decline of the British reserve is only a question of time.

Apart from raising the Bank rate to 6 per cent and slightly reinforcing exchange control in relation to the Outer Sterling Area, the Government has done nothing whatsoever to defend sterling against this attack. Admittedly it was impossible to deflate, for the sudden withdrawals of gigantic foreign balances had a strongly deflationary effect and the Bank of England had to intervene to replace some of the funds in order to prevent a liquidity crisis. But given this situation, a further increase of the Bank rate is called for.

It is also high time for the Government to change its attitude towards incomes policy. Evidently the market is not impressed by the latest efforts to achieve a voluntary restraint. It will take months before it becomes evident whether the exchanges of views between the Government and the trade unions will produce any effect.

The measure that would produce an immediate effect would be the adoption of the two-tier system. It would be welcomed by the French Government which has already adopted it. After Professor Schiller's defeat over exchange restrictions in Germany, no effective resistance would be forthcoming from that direction. The greater part of the selling pressure would be borne by the financial pound, so that the commercial pound would be able to hold its own.

Sooner or later the adoption of some form of exchange restrictions will be inevitable if the selling wave should continue. The Government will have to do something drastic to reassure foreign sterling holders and also British business firms which are concerned by the feeling of uncertainty created by this selling pressure of unprecedented magnitude. Apart from this, the situation has improved, there are various symptoms of recovery. The commercial demand for bank credits has increased and so has the amount of installment credits. Unemployment is on the decline and consumer demand on the increase. But if the present feeling of uncertainty continues, all this might become reversed.

News Before It's News

By M. GEBEC

The people on Capitol Hill who run our federal government have lost their direction.

Consider these facts as they relate to taxes, the federal deficits and the upcoming battle in the next Congress over taxes.

The Tax Revenue Act of 1962 reduced federal taxes for both the individual and corporations. Since then there have been four other adjustments to the tax base. The net result, including estimated figures for 1973, has been to reduce federal income by about $259 billion. During the same period, we will have added to the federal deficit approximately $193 billion. In other words, the tax base has continued to erode. Had the original tax structure prevailed, we could have put a sizable dent in our deficit notwithstanding the Vietnam war.

After one carefully considers this stunning state of affairs, he is further shocked by the fact that the impact is increasing rather than declining. The tax loss in the four year period, 1970-73, is greater than that for the previous eight years and has increased each successive year to an estimated $50.3 billion for the year 1973 against a projected loss for fiscal 1973 of $37.8 billion. In other words, instead of being faced with the largest deficit of the past 12 years, the country would have a $13 billion surplus.

During the 1970-73 period, the federal deficit has increased $113 billion, or 25 per cent, of the federal debt. During this same four year period, the cumulative effect of tax base changes has been to provide $152 billion less than otherwise might have been available, a surplus of $39 billion.

The staggering fact is that the federal debt has gone up 25 per cent in the four years 1970-73, even after the debt incurred in World War II and the Korean War. For fiscal 1973, the debt projected is the highest ever except for three years in World War II.

On June 30, 1962, the federal debt was $298 billion and by July 1, 1972, it has soared to $429.8 billion. Assuming that the tax base had not eroded, and a portion of the $66.3 billion had been applied against the debt, the nation would likely have avoided the fiscal crisis with which it has been confronted for the past several years. Furthermore, the $22 billion in interest paid to service the mounting debt would have been substantially less, perhaps enough to fund some of the social programs so desperately desired by the liberal elements of the society. The current interest requirements would have been sufficient to run the federal government thirty years ago or at the beginning of World War II.

Obviously it took a majority of the Congress and either the support or acquiescence of three presidents for this state of affairs to have occurred, but there are some members of the Congress who for years have projected doom unless fiscal responsibility returned to the federal government. One of these is George Mahon, Chairman of the House of Representatives' Committee on Appropriations, who has been tabbed a fiscal conservative, but the Chairman believes that the nation is headed toward the fiscal shoals, unless something drastic is accomplished shortly to change the direction of the federal deficits. He raises the question of whether anyone really believes that with deficits in the $20 billion to $40 billion category we can win the fight against inflation or stabilize the economy.

The Chairman recently said that "even the most unsophisticated student of the fiscal situation must agree that when the new administration takes office next January, there will have to be a dramatic reduction in government spending or action will have to be taken to increase revenues. Otherwise, we shall be that much closer to certain fiscal disaster."

Even influential liberals in both houses have come to believe that deficits of the magnitude being currently generated cannot continue without the nation facing disaster; however, they are adamant in their view that more money must be available for the social needs of the country, thus setting the stage for tax and spending reform battles in the new Congress.

But realism needs to raise its head, because previous attempts at tax and spending reform apparently have not succeeded at all. In fact, they could be described as disastrous, because the horrifying thought is that with all the intellectual power that exists in the White House, Treasury, Congress, committees of Congress, foundations, think tanks, colleges and universities and the financial community, the state of the nation has deteriorated.

Newhard Cook Branch

Los Angeles, Calif. — Newhard, Cook & Co., Incorporated has opened a branch office at 615 South Flower Street. Robert J. Fitzpatrick, an officer of the firm, will direct the new office.

Jones V.P. of Smith, Barney & Co.

PHILADELPHIA, PA. — Robert W. Jones, who recently joined the investment banking firm of Smith, Barney & Co. Incorporated in the Philadelphia office, Philadelphia National Bank Building, has been made vice president of municipal finance. Previously, he had been vice president of Drexel Firestone, Incorporated.

Mr. Jones has been active for the past 14 years in municipal finance with particular emphasis on financial advice to municipalities and their agencies.

Future Climate for Equities

Continued from Page 1

prices are influenced primarily by earnings and long-term interest rates. Earnings, in turn, are affected greatly by general economic conditions. At Inverness, we believe the next few years will be good ones for the domestic economy.

Robert S. Waill

One reason why we are optimistic is that the economy has been able to move ahead despite tremendous obstacles — in particular, the strong destabilizing actions of the Federal Government. Defense and space outlays have been cut back very sharply, the Federal Reserve forced the money supply to a zero growth rate for prolonged periods in 1969 and 1971, and fiscal policies have been erratic and unpredictable. Even this year, we are told that the Government has been trying to stimulate the economy, yet, with overwithholding of taxes running at close to a $10-billion annual rate, the "high employment budget" is currently in surplus. In April, the conventional budget recorded a surplus of $5.9 billion! The fact that consumer spending rises steadily despite such restraints suggests that the private economy possesses strong intrinsic growth tendencies and will do quite well if only given a chance.

Growth Despite Slump

We would also point out that growth has taken place even though the inventory-to-sales ratio has declined for a year and a half - a decline which must come to an end sooner or later. While defense spending is not likely to rise appreciably, here, too, the decline is probably over. We also expect to see an improvement in the export-import relationship by the end of the year. Labor and capital are likely to remain in good supply, and, lastly, the federal budget **will** be stimulative over the next year or so.

Earnings will also benefit from **internal** efficiencies. In 1971, despite a decline in the operating rate in manufacturing, profits registered year-to-year increases in each quarter. Such an unusual development hints at important improvements within corporations and points to rising profits in 1972 and 1973 as the utilization of facilities gradually works higher.

Profits Should Rise

Thus, while a tax increase may be enacted in 1973, and controls are already becoming restrictive, we look for profits to advance by around 15 per cent in 1972 and by about 10-15 per cent next year. Barring excesses during the rise, the uptrend could well continue into 1974.

A few comments about price controls may be in order. Their restrictiveness is spreading because, as the leading companies reach their legal profit margin ceilings, the force of competition prevents the other companies in those industries from raising prices. It is possible, however, that as volume is increased by the lower-than-normal prices, profits may be maintained despite the narrower margins. Such a situation would imply an improved competitive position for American companies in world markets and a greater turnover (and higher utilization) of capital.

It is worthwhile analytical task to investigate the degree of price elasticity in each industry. Also, if prices are held artificially below the market, profits may turn out to be a little smaller than they might otherwise have been - but the increased product demand might make them more **certain.**

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Who Needs Money?

The outlook for long-term interest rates can be evaluated in terms of the supply and demand for capital. Everyone agrees that the demand for capital will be huge. Everyone says so, but will it?

Utilities will require lots of capital, yes. Pollution control will also absorb a good deal of capital. And someone will surely build one more obsolete steel mill. Housing? Yes, but perhaps homebuilding will flatten out at current high levels. Mobile homes and apartment units do not usually involve a large investment.

If America is becoming a service economy - a nation of lawyers and psychiatrists - what does that mean for capital? The rapidly growing companies today are in services and merchandizing. What are the capital needs of an Avon Products?

Money For Government

At the federal level, welfare programs are expanding, but we are limiting the AMB's and have voted down the SST. The space program has been stripped, and we are even asking the Russians to chip in on the next round. Highways? No one talks about roads anymore. On the local level, school building consumes a large amount of capital, but, with the birth rate where it is, how many more schools do we need?

Turning to another area, are we going to export a large amount of capital? Apart from balance of payments considerations, does anyone really want to develop copper mines in South America or build a pipeline in Iraq? The quite serious effort of American labor to reduce the export of jobs also has important consequences for our capital markets. We are currently enjoying a net inflow of foreign capital for the purchase of common stock and, in time, may expect to witness at least some reduction in the net outflow of capital for fixed investment. Although funds to rebuild Vietnam may eventually be forthcoming, foreign aid seems to be altogether lacking for suport.

How Much Growth?

Finally, should the super-modern ideas of a "no growth" economy or "zero population growth" ever take hold, the implications for capital requirements would be quite significant.

From 1800 to 1900, the population of the United States increased 15 times. During this period, America developed the West, dug its mines, established a steel industry, and rebuilt the railroads. **There** was a need for capital!

But financial forecasting is a tricky business. Despite a hundred years of wars, calamities, and rapid economic growth, commodity prices were **lower** at the end of the century, and, if one can rely on bond market historian Sidney Homer, long-term interest rates were also lower!

Thus, the demand for capital will be large - and will probably continue to rise. It will not necessarily, however, be great enough to force long-term interest rates higher

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Not That Much Inflation

The **supply** of capital will tend to increase as the economy grows. It will also be heavily influenced by investor expectations regarding inflation. (Inflation hurts stock prices not only because it leads to high interest rates but also it prompts Governments to impose restraints on business). The outlook for inflation, however, is not as gloomy as many people think.

We expect the war in Vietnam to end in the near future - and wars have been a main cause of inflations. Arms control, particularly if further Soviet-American arrangements are negotiated, is also a step toward relatively stable prices. There is considerable slack in plant facilities and the labor market, and unit costs in manufacturing should level off as volume picks up.

In addition, marketing costs, where progress has lagged in the postwar period, are now under attack by aggressive companies in many industries, with furniture, food, and drugstore items coming to mind as illustrations. Municipal costs, a key ingredient in the current inflation, are also meeting increased resistance: In Westchester County, for example - an area which prides itself on its schools - in the elections on May 3rd covering 18 towns, more people voted against school budgets than for such budgets. History is also encouraging. Since 1900, a period market by wars, economic disasters, and a significant move toward a welfare state, the cost of living has trended upward at an average annual rate of 2.4 per cent.

We believe that inflationary expectations will gradually ease - with occasional setbacks, to be sure - and that investors will be increasingly willing to lend money at long term. Thus, considering both the supply and demand for funds, it is our judgement that long term interest rates are likely to trend lower. The foregoing supply - demand analysis suggests, also, that equity financing for most industrial companies will not be unduly burdensome.

Redistribution, Not Revolution

The political situation in an election year is frequently unsettling. Today, we worry about latent hostility to business, prospective outlays on welfare, and proposals to redistribute income and wealth.

We would emphasize that the role of the President, or of any other single individual, is severely limited - both by Congress and by circumstances. We do not look for drastic changes, because we think most people do not want a major shakeup. Large areas of the public have already expressed their disapproval of huge welfare programs and, in our opinion, the "work ethic" is not quite dead. A redistribution of income **has been** taking place, with federal and municipal employees, to mention one sector, increasing their share at the expense of others. The solution which is least painful and most in keeping with American tradition is to make the total economic pie larger, and we think this will happen in the years ahead.

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The future will be enormously challenging to investors and to their advisors. Even in the best of climates there is occassionally a rainy day. On balance, however, we believe, at Inverness, that the future climate for equity investment will be very favorable.

*** An address by Mr. Waill before the New York Society of Security Analysts, June 6, 1972.**

FEDERAL SECURITIES MARKETS

U.S. Governments And Foreign Central Banks' Dwindling Patience

By ROBERT VAN CLEAVE

Dealings in Treasury securities continue on their lackadaisical way — in effect, that is, exhibiting an outstanding degree of stability. Bill rates, of course, are in an uptrend which has added just about 100 basis points to available yields since February. Other short-term rates continue to inch cautiously upward.

First National City Bank, among others, this week boosted rates on new CD's to a range of 4½ per cent to 5½ per cent. Last week Mellon National Bank & Trust announced a new floating rate policy for prime loans, which initially called for a 5½ per cent setting. Others were interested, but a trifle reluctant to follow the example. First National Bank of Boston, however, also floating, on Tuesday went up to 5¾ per cent.

Treasury financing plans have not yet jelled, either for a start on raising the needed cash, or to take care of the August refinancing job. It is clear, of course, that supplying the cash needs cannot be deferred indefinitely, since spending continues to go up while incoming revenues have passed their peak. In three business days — June 29 to July 5 — the cash operating balance dropped from $10.3 billion to $7.3 billion.

As to the refunding, latest indications are that all options remain open, including auctions, advance refunding, and even a mention of a long-term note or bonds. Much will depend on developments in the market, naturally. If the market really wishes to be offered a long-term issue, all it need do is put on a show of receptivity. It may get clobbered because Treasury people would like to take advantage of such a situation. Also, the Treasury is fully aware that lengthening the maturity of the marketable debt is still desirable whenever opportunity offers.

Borrowing of the new cash already has begun, in a small way, with the start of a new series of increases in the weekly bill issues. Maturing paper amounting to $3.9 billion is being replaced with new bills totaling $4.1 billion.

Last week's Agency offering — $719 million Federal Land Bank bonds in two issues, raising $277 million of new cash — came to market at lesser rates than had been expected, and the reception was less than enthusiastic. The shorter issue, at 5.55 per cent, managed to hold fairly close to the par issuance price. The longer, at 6.40 per cent, promptly slid to a discount, where the yield was about 6.43 per cent. Relatively, though, that may seem attractive when compared with this week's Ford Motor notes offered at 6.42 per cent. The latter, to be sure, is considerably less than half the size of the Land Banks' offering, and itself was not an immediate sell-out.

To be offered next week is a $400 million cash offering of five-year notes by the Export-Import Bank, to mature Aug. 2, 1977. Bids will be received until 11.00 a.m. July 19.

Peace rumors yet once again have begun to pervade the market, related to today's resumption of negotiations in the Paris peace talks, and backed up by reports, still unconfirmed, of some sort of persuasion toward peace being exerted upon the Hanoi Government by Moscow and Peking. Rumors of this sort have come and gone over quite a few years and of late have apparently lost a considerable part of their market influence.

Still, the probability that, some day, one of them will prove to have been accurate will continue to exist. There is little reason to think that an end to hostilities could basically justify higher bond prices, even though bond markets are likely to react quite bullishly to the news when it finally comes.

Stocks, however, might benefit by a diversion of spending from war to peace purposes. There are money managers at home and in Europe who believe that European funds are awaiting assurances that the fighting will end before launching a movement into American equities that might be massive. Certainly, the dollars, in enormous quantity, are already available in the hands of European owners.

If or when such a move does develop, we will witness the consequences of having piled up dollars in the hands of the foreign central banks, which they imprudently invested in marketable Treasury bills and nonmarketable special issues. This is a point we touched upon last week.

When Europeans wish to buy stocks in New York, they will sell their local currencies for dollars. The central banks, in support of their own currencies which otherwise would tend to drop, will supply dollars to the exchange markets. To obtain the dollars, they will sell or redeem their U.S. Government short-term paper. Other buyers will have to be found, with an obvious upward impact on market rates. Unless, of course, the Federal Reserve System chooses to absorb the bill offerings itself, in order to hold rates down. There was an unofficial report last week that this had been done in at least one case. No publicly available statistics are likely to confirm or refute this.

It has been suggested that this need not occur. On balance, there need not be, necessarily, a net liquidation of short-term U.S. Government paper held by official holders abroad. Given an unchecked continuation of the U.S. payments deficits, the liquidation might merely offset new dollar acquisitions.

Keeping Dollars Out

But that assumes the willingness of foreign officials to continue to absorb dollars. There have been plenty of indications that this is not the case; rather, that foreign governments will instead erect new and extended exchange and capital movement barriers to keep the dollars out.

This view is supported by moves already made by the Swiss and the Germans. Backing up other measures already in place, the Swiss Government has imposed an 8 per cent per annum tax on new foreign deposits. The German Government has accepted the resignation of Dr. Karl Schiller, former minister of finance and economics, because he adamantly opposed the principle of added restraints on the flow of capital. The French, of course, already have such restraints in operation.

Thus it appears that an enlarged flow of European capital into the American equities market would put pressure upward on short-term rates, and that, most probably, the only offset would be the possible intervention of the Federal Reserve System.

Or, in practical terms, the aid from abroad that so largely financed the Treasury's last-half 1971 deficit should not be counted upon this year.

Caldwell Joins Ball, Burge

PITTSBURGH, PA. — Ball, Burge & Kraus, members of the New York and Midwest Stock Exchanges, have announced that John Caldwell has joined the institutional and retail sales department of their Pittsburgh office, Henry W. Oliver Building. Mr. Caldwell was formerly Pittsburgh manager for Johnson, Keen & Co., Inc.

New Foreign Aid Approach: Subsidize Capital Markets

Continued from Page 1

First, the rate of economic development in the less developed countries has been directly proportional to the amount of long term capital available. This long term capital has not been generated by local capital markets because most are in an embryonic stage. This has left the entire burden of supplying this type of capital to the international and national public development agencies.

Second, this capital is usually channelled through national development banks to approved enterprises only after costly and lengthy studies. The consequent delays prevent a sharp forward thrust for development from gaining momentum.

Third, this scarce development capital is usally lent for fifteen to twenty years. While it remains tied up in this manner, often far beyond the time for which it is required, other, perhaps more deserving projects cannot be financed.

Fourth, there is no way for local savers, usually with a very high liquidity preference because of past inflation experience, to provide needed long term capital in the absence of liquid capital markets which do not have long term instruments corrected for inflation.

Fifth, the present system actually discourages needed domestic savings, encourages a disproportionately high rate of consumption, and drives locally generated savings abroad because the lack of a capital market deprives investors of instruments, hedged against inflation, which may be readily sold in a liquid market.

Sixth, inflows of porfolio (non-control) capital, that is claimed to be politically preferred in many developing countries, are prevented from taking place because of lack of liquid capital markets. This leaves industrial growth primarily to foreign direct corporate investments which has recently been less welcome.

Seventh, scarce long term credit is not channelled to the most productive sectors and enterprises because it is not allocated efficiently by any functioning market mechanism. Instead, it is channelled through national development banks which, being semi-public institutions, are bound to be influenced by political considerations in their credit allocations.

An Alternative

The following alternative model avoids these shortcomings. It relies heavily upon the restructuring of the domestic capital market in a unique way to greatly increase the supply of long term capital from locally generated savings, which would then be allocated more effectively through the capital market mechanism. This model would greatly stimulate economic development with current, or even reduced foreign aid appropriations.

An institutional capital market infrastructure, consisting of well financed and well trained underwriters and market makers would be established in developing countries.

To insure the efficient functioning of these institutions a unique liquidity fund would be established that would provide them with liberal revolving credit. This fund is currently being created in Brazil.

This unique new type of fund would help create and support a highly liquid capital market that would supply the economy with large amounts of long term capital while giving investors the liquidity preference they require. Thus, the new, capital market would act as a bridge between investors preference for liquidity and the long term capital needed for development.

Floats Encouraged

Enterprises requiring long term capital would be encouraged to float their long term securities in this newly created market, instead of borrowing directly from national or international development agencies. For debt type securities some provision for monetary correction, or indexing, should be made to protect investors against inflationary erosion.

National and international development agencies, instead of advancing the full amount of required long term capital to the enterprises directly, as at present, would now advance only a portion of the total investment. Their loans would now be made in the form of bond or stock market credit, to all buyers of publicly floated securities of approved projects. This bond or stock market credit, for example, might be 50 per cent.

For each newly issued security financed and qualifying for development assistance in this manner the rate of interest charged by the lending development agency, the percentage of the total cost of the securities to be financed and the duration for which the credit would remain available to the securities buyers — could all be continuously adjusted to give different enterprises varying degrees of economic priorities.

Securities Review

The lending development agencies, whether domestic or international, would continuously review the list of securities which should continue to be eligible for such bond and stock market credit. Through this system of financing development, it would be possible for the development agencies to re-deploy their scarce development funds every three or four years instead of once in fiteen to twenty years, as is the case in present practice.

Thus, instead of using scarce international and national public development funds to finance generally 100 per cent of the cost of new projects, and for periods often lasting fifteen to twenty years, the same project could now be financed with only half of the funds that would have been required previously from these public agencies. It would now also be possible to re-use this half every three or four years instead of once every fifteen to twenty years.

The use of this technique alone could multiply the development impact of a given amount of public development funds by a factor of up to ten.

New Savings

A growing variety of new investment instruments, that would now trade in a very liquid market, where long term debt instruments are fully corrected against inflation — should all create very sizeable new savings that would flow into new investments.

The sources of these new savings now available to finance development, would be:

a) a diversion of savings now flowing to consumption (which has already begun to happen in Brazil).

b) a diversion of investment funds away from socially unproductive land and real estate speculation into more productive investments (this, also, has already begun to happen in Brazil).

c) higher rates of return on industrial investments because investment funds would now be flowing to the most productive economic sectors and enterprises because of the market mechanism, rather than to those enterprises which are merely politically supported.

d) an increase in the number of savers and in amounts saved, stimulated by new opportunities to invest, a liquid market, and the possibility of obtaining higher yields because of monetary correction that would be used for debt securities.

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e) a reduction in capital outflows to developed countries because of a developing local liquid market.

f) a gradual net inflow of foreign-owned portfolio funds that would start as the capital markets develop.

The newly structured capital markets of developing countries should then be linked with those of the industrial nations to encourage an inflow in portfolio investments, which could be facilitated by the following:

a) The establishment of new international investment development institutions that would specialize in the sale of securities of various enterprises in developing countries to investors in the developed world.

b)The establishment of new special purpose stock exchanges in the leading financial centers of the industrialized world on which securities of the less developed countries would be listed and traded. These new stock exchanges could be affiliated with the major stock exchanges of the West. By qualifying such securities for trading in the developed world, through S.E.C. type registration, vast sources of new long term capital could be tapped.

c)Whenever desirable, the interest on some debt securities could be subsidized or supplemented by one of the developing institutions.

d)International development agencies may assist in the organization of mutual funds that would invest in securities of developing countries but would be sold mostly in the developed world.

e)Guarantees and insurance of the type offered by the Overseas Private Investment Corporation, now mostly to corporations, should be made more widely available to individuals holding securities of enterprises in developing countries. These usually provide insurance against expropriation and war risks, foreign exchange repatriation risks, and guarantees against business risk, as well.

Reduced Tension

The inflow of private, portfolio, foreign (non-control) funds (as against direct corporate foreign-controlled investments) together with the new domestic long term capital that would be generated by this new plan in the future, should all make possible the establishment of new, locally controlled large enterprises. This should reduce tensions which have arisen in some developing countries because of the prominence of the foreign sector.

Also, most important, the growing number of local large enterprises that this capital market would make possible would cause foreign companies to loom less significant relative to the opportunities for rapid growth in absolute terms. In fact, the development momentum unleashed by the implementation of this model could be so strong that foreign enterprises may again be welcome to provide services and technologies, otherwise not available, which would be necessary to facilitate the rapid local industrial growth.

Small countries, with limited domestic savings, could affiliate with other small countries, or with a larger neighbor, to form a single larger capital market. In such a unified capital market all savings would flow to some regional financial center that would evolve. In turn, the leading underwriters, many of whom would function from this center, would supply the long term capital needs of deserving projects of every member country.

This alternative model for development and foreign aid, would make possible a considerably higher rate of economic growth than at present, financed largely from local savings, channelled through the domestic capital market to the most productive sectors. It would also encourage an inflow of long term private portfolio capital, through the international capital market, which may gradually supplant present public appropriations for which Congressional enthusiasm has been rapidly declining in recent years.

Stock Exchanges-SEC-NASD Roundup

Perot Group to Put $15 Mil. into Walston

A group headed by H. Ross Perot, the Texas computer millionaire, will be injecting $15 million into the securities firm of Walston & Co., as part of Walston's $17 million refinancing arrangement.

According to William D. Fleming, Walston President, the Perot group will have the option of eventually obtaining a 30 per cent voting interest in Walston, if the New York Stock Exchange alters its rules on outside ownership of member firms.

Another aspect of the agreement gives Mr. Perot's Electronic Data Systems Corp. the rights to Walston's data processing and telecommunications, under a 10-year contract.

Currently, the Perot interests control almost 100 per cent of duPont Glore Forgan, Inc., having invested about $64 million in the investment firm.

Talks between the Perot interests and Walston on the $15 million contribution had been progressing smoothly until April, 1971, when questions were raised by the Justice Department on a NYSE rule that would allow investments in more than one member firm by an outside party.

The rule was later adopted, however, with the Exchange allowing dual ownership with the permission of the NYSE Board of Governors. According to Mr. Fleming, the NYSE's Board had approved the refinancing program, and approval was also being sought from the American Stock Exchange.

It is believed that the reasoning behind the refinancing program is the pressure on Walston to comply with recently tightened Exchange capital rules, particularly in respect to the firm's debt ratio. Currently, Walston has $64 million capital, and a ratio of indebtedness to liquid capital of 7.7-to-1. Under Exchange rules, the maximum ratio allowed is 15 to 1, although a ratio of 10 to 1 is considered a danger point at which a firm is not allowed to expand its business.

The Perot investment is in the form of convertible debentures and preferred stock, and will result in a net increase in capital of $12 million, raising Walston's total capital to$76 million.

The vehicle for the investment is the Charleston Investment Co., described by Walston as "a Delaware corporation in which the H. Ross Perot family has a major interest."

NYSE Reduces Odd Lot Fees

The New York Stock Exchange has set a fee of 12½ cents on all odd lot transactions, effective July 17.

An odd lot is generally a transaction for less than 100 shares. Currently, the odd lot differential for stock selling for $55 a share and over, is 25 cents a share. For stocks costing less than $55, the fee is already 12½ cents per share. Inactive stocks trading in round lots of 10 shares will also be subject to the ⅛ point fee. Presently, the differential for orders of one to nine shares ranges from ¼ to ¾ point.

According to the Exchange, the new rate is expected to provide savings of about $5 million a year to investors.

The Exchange also noted that approximately 40 per cent of all orders reaching the trading floor are odd lots, averaging about 800,000 shares per day.

The odd lot differential will be added to the price of a stock in the case of a purchase, and subtracted from the price when the transaction is a sale.

The Exchange's actions concerning the odd lot differential are aimed at giving more recognition and concern for the small investor in the market.

At the American Stock Exchange, the odd lot fee is ¼-point for the trading of stocks costing $55 and up, while the charge for stocks costing less than $55 is ⅛-point.

On the other hand, several regional stock exchanges - Boston, Detroit, Midwest, Pacific Coast, and Philadelphia-Baltimore-Washington - have eliminated the odd lot differential on combination odd lot and even lot trades. However, the fee will still have to be paid on odd-lot trades alone, on these exchanges.

Despite the SIA, Bank Underwriters Want Their Own Group

Commercial banks which underwrite tax-exempt, Treasury, and Federal Agency securities, have formed a new organization, called the Association of Banks Underwriting and Distributing Public Securities. The group was formed in order to give banks more active representation in the securities industry.

Currently, the banks are represented in this area by the American Bankers Association and by the Securities Industry Association. However, the members of the new organization feel that the ABA and the SIA are not performing this function adequately. The ABA is not standing in the way of what is obviously the forerunner of an organized attempt to break the Glass-Steagall Act's ban on bank underwriting — to the distress of the non-bank securities industry.

The group feels that their organization, which will be specifically oriented towards the needs in the public finance area, can do a more effective job than groups with wide-ranging interests, such as the ABA and SIA.

Leon Kendall, President of the SIA, which evolved out of a merger of the Investment Bankers Assn. and the Association of Stock Exchange Firms, however, sees no conflict between the SIA and the new Association. He stated that this is a "time for unity — of trying to pull the securities industry together." After speaking with Leland S. Prussia, Jr., senior vice president of the Bank of America, NT & SA, and head of the new group,making the best of an explosive situation, Mr. Kendall said the new group will try to focus the bank concerns within the SIA and the ABA, rather than splitting away from these groups.

The SIA head told the Chronicle that the new organization will definitely give commercial banks a more unified voice within the securities industry, while the SIA will continue to receive banking ideas on a more formal basis.

George W. McKinney, Jr., Senior Vice President of Irving Trust Co., and head of the Bank Investments Division of the ABA, agrees with the Association's objectives and role.

He stated that the ABA cannot move as strongly as it would like in many areas of specific bank interest, because of the risk of interfering with some of the broader interests of the industry. According to Mr. McKinney, it is merely a matter of the specialist versus the generalist.

Hope to Underwrite Revenues

One of the publicized major objectives of the new group is to give commercial banks greater participation in the underwriting of tax-exempt securities. Currently, these banks may only deal in full faith and credit obligations, and the group hopes to give them the right to also underwrite revenue issues.

The Association was formed this past April at a meeting of about 50 banks. A committee of six commercial bankers, headed by Mr. Prussia, was appointed to head the group. The SIA was formed the first of this year.

These other members are: Amos T. Beason, Vice President of Morgan Guaranty Trust Co.; Hilliard Farber, Senior Vice President of Chase Manhattan Bank, NA; John J. Larkin, Senior Vice President of First National City Bank, all of New York; David G. Taylor, Vice President of Continental Illinois National Bank & Trust Co. of Chicago; and James W. Thompson, Vice President of North Carolina Bank, Charlotte.

A letter was sent by Mr. Prussia to 130 banks which were deemed eligible for participation in the Association. The answers are still being awaited. The letter pointed out several of the major objectives of the group:

Better representation of dealer banks to the rest of the securities industry; better representation in legislative and regulatory matters of government bodies; fostering of efficient operating procedures and more effective distribution of public securities; and aiding dealer-banks in developing their skills in investment banking affairs. These definitely pose a split within the SIA reminiscent of the one that was patched up when the SIA was being formed.

Eventually, the Association's formal structure will consist of a nine-member board of governors with a president, vice president, secretary, treasurer, and counsel.

New Giant On Wall Street

Willard Boothby, Jr.

John Gurash

Paul Conley

As discussed in the July 6 issue of the **COMMERCIAL AND FINANCIAL CHRONICLE**, the proposed Blyth-Eastman Dillon merger under INA's aegis is expected to be consummated before the end of this month with the new firm to be named Blyth Eastman Dillon Inc.

The top leadership of Blyth Eastman Dillon will be divided equally between the component firms with Willard Boothby, Jr. of Eastman Dillon to become president and Chief Executive Officer, while Paul Conley, Chairman and Chief Executive Officer of Blyth, will become Chairman of the Board of Blyth Eastman Dillon.

The entire transaction is valued at $126,000,000 (in various types of securities). The marriage will join an essentially West Coast institutional underwriter with an essentially East Coast retailer. The resultant entity is expected to achieve major participation in every aspect of the investment industry from coast to coast.

INA's prospective role as corporate parent of this new $90,000,000 (capitalization) offspring appears equally promising. Under the leadership of John Gurash, INA has steadily increased its global financial and banking services. It currently derives some 10 per cent of over-all revenues from overseas. Company plans call for increasing that figure to 30 per cent within the next 10 years. As to the source and availability of these additional funds, Mr. Gurash believes that capital generated by INA's overseas operations should prove adequate to finance such foreign acquisitions. With a ("banque des affaires") merchant bank, known as Banque Blyth, in Paris, with additional retail offices due to come aboard consequent to the current merger; and with discussions now in progress with a view to acquisition of a London-based merchant bank, INA's global strategy appears to be unfolding right on schedule.

The smooth progress of his company's expansion and diversification can be attributed, at least in part, to Mr. Gurash's year-ago bold decision to purchase a major (10 per cent) interest in Compagnie Financiere de Suez, now France's "Number One" financial conglomerate. Suez is a knowing veteran of both the pitfalls and the opportunities of European finance.

As to INA's determination to expand its position in the fields of investment banking and financial services, it should be noted that the company has already invested over $100 million to reach its present level of participation. This figure can be expected to increase as additional investment opportunities, at home and abroad, present themselves. Nor ought there be any question as to precisely where final authority in the new firm of Blyth Eastman Dillon will be. Speaking for INA, Mr. Gurash emphasized: "We will **NOT** be passive shareholders."

Investment Association of New York

Ken Langone, R. W. Pressprich & Co., Inc.; Fred Fiducia, R. W. Pressprich & Co., Inc.; Peter Todebush, Merrill Lynch, Pierce, Fenner & Smith, Inc.; Jerry Bierbaum, Merrill Lynch, Pierce, Fenner & Smith, Inc.; George Doherty, U. S. Trust Company

Allen Merkle, Andresen & Co.; Phil Waterman, Steiner, Rouse & Co., Inc.; Steve Ross, R. W. Pressprich & Co., Inc.; Peter Loeb, Loeb, Rhoades & Co.

Claude Seibert, Commercial and Financial Chronicle; Allan Bogardus, Watling, Lerchen & Co.

Charles Ferguson, Roosevelt & Son, Inc.; Alden Gray, Salomon Brothers

Paul Naylor, First of Michigan Corporation; Charles Treuhold, Arnhold & S. Bleichroder, Inc.

Tony Meyers, John J. Meyers & Co.; Jim Crawford, Bedford Advisors; Schuyler Grant, Bankers Trust Company

Stan Brainerd, New York Securities & Co., Inc.; Hugh Johnson, Hugh Johnson & Co., Inc.; Chas. Hutchinson. Hugh Johnson & Co., Inc.

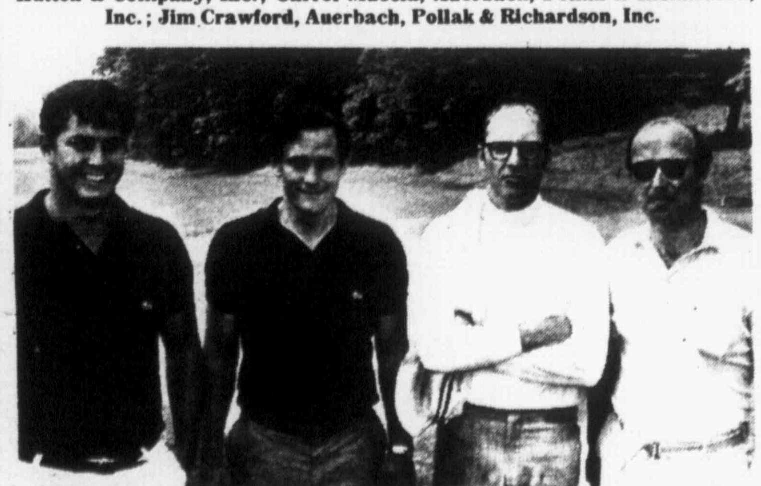
Ted Eldracher, Weeden & Co.; Scott Marsh, SMC Corp.; Carl Kreitler, Faulkner, Dawkins & Sullivan, Inc., Perry Nolan, Burnham & Company, Inc.

Ted Mann, G. H. Walker & Co., Inc.; Don Mettler, Fahnestock & Co.; Fred Filoon, Clark, Dodge & Co., Inc.; B. G. Kinloch, Clark, Dodge & Co., Inc.

Tom Ritchie, Auerbach, Pollak & Richardson, Inc.; Shelby Notkin, E. F. Hutton & Company, Inc.; Carrol Muccia, Auerbach, Pollak & Richardson, Inc.; Jim Crawford, Auerbach, Pollak & Richardson, Inc.

Philip Skidmore, Kuhn, Loeb & Co.; Charles Harris, Riter, Pyne, Kendall & Hollister, Inc.; John Adams, Bankers Trust Company; Dan Dayton, Mitchell Hutchins Incorporated

J. O'Brien, Merrill Lynch, Pierce, Fenner & Smith Inc.; Joe Patterson, First Boston Corporation; David Sicher, Bache & Co., Incorporated; Sandy Davidson, Eastman Dillon, Union Securities & Co., Inc.

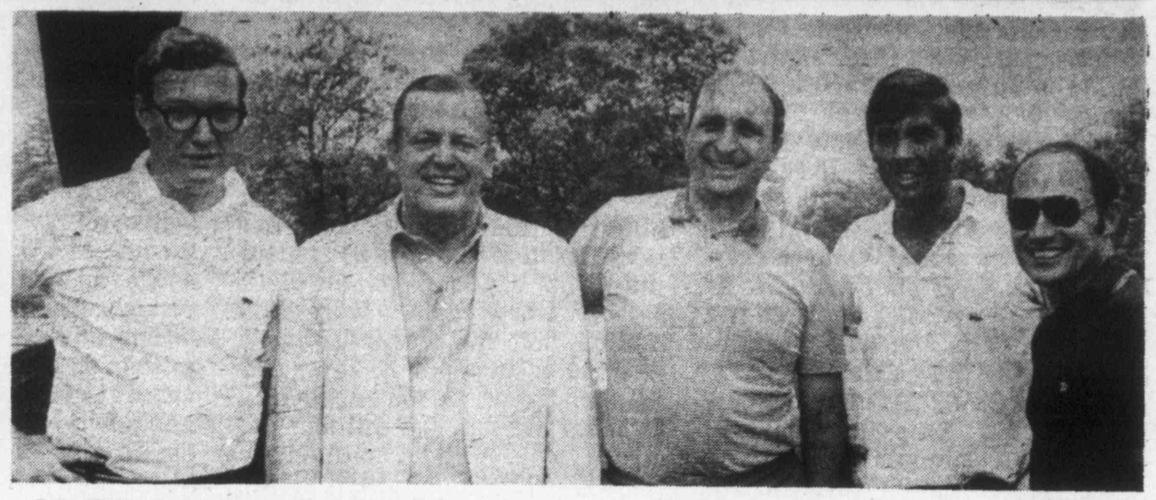


Mike Dawes, Discount Corporation of New York; Gerrit Vreeland, Baker, Weeks & Co., Inc.; Don Reed, Moore & Schley Cameron & Co.; Arthur Hepper, F. S. Smithers & Co., Inc.

Allen Oween, guest; David Hiley, Thomson & McKinnon Auchincloss Inc.; Philip Behr, Butcher & Sherrerd; Paul Jenkel, Alliance Capital Management

Annual Outing Held June 15, 1972

Roger Elsas, L. F. Rothschild & Co.; Barry Thors, R. G. Dickinson & Co.; Ted Sommermann, Halle & Stieglitz, Inc.; David Nichols, Abraham & Co.



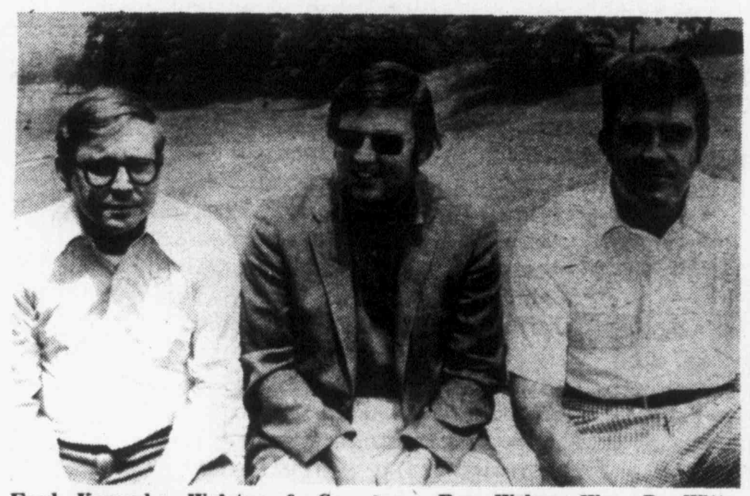
Bob Richardson, Chase Manhattan Bank; Allan Bogardus, Watling, Lerchen & Co.; Ken Langone, R. W. Pressprich & Co., Inc.; John Biandin, R. W. Pressprich & Co., Inc.; Rudy Cusumano, Chase Manhattan Bank

Jim Racine, Merrill Lynch, Pierce, Fenner & Smith, Inc.; Jim Sumpton U.S. Trust Company

Sandy Small, Harris, Upham & Co., Incorporated; Larry Miralia, New York Securities Co., Inc.

Carl Kreitler, Faulkner, Dawkins & Sullivan Inc.; Jim Morrison, Harris, Upham & Co., Inc.

Michael Reiner, Paribas Corporation; John Warnk, New York Securities Co., Inc.; Marvin Price, Kidder, Peabody & Co., Inc.



Fred Kennedy, Walston & Co., Inc.; Ron Weber, Wm. D. Witter Incorporated; Mac Rotan, Rotan, Mosle-Dallas Union, Inc.

Michael Massingill, Charles & Co.; Marshall Swartwood, Faherty & Swartwood, Inc.; Haigh Cundey, Wertheim & Co., Inc.

Roger Power, Hallgarten & Co.; Jack Taylor, Harris, Upham & Co., Inc.; Sy Anthony, Laird Incorporated; Jack Lapsley, Morgan Guaranty Trust Company

Peter Kellogg, Spear, Leeds & Kellogg; Donald Stott, Wagner, Stott & Co.; Ted Stevens, Manufacturers Hanover Trust Company; Bill Johnson, Mitchum, Jones & Templeton, Inc.

Henry Becker, Gengler Bros.; Ed Stern, Lasker, Stone & Stern; Tony Woodruff, Kidder, Peabody & Co., Incorporated; Rod Patten, Adams, Harkness & Hill (Boston)

K. Wright, Van Alstyne, Noel & Co.; Bill McDonald, F. Eberstadt & Co., Inc.

Larry Miralia, New York Securities Co., Inc.; John Warnk, New York Securities Co., Inc.

Allan Bogardus, Watling, Lerchen & Co.; Ken Langone, R.W. Pressprich & Co., Inc.

THE CORPORATE NEWS TICKER

Coastal States Gas Producing Co. announced that a wholly-owned subsidiary, Coastal States Crude Gathering Co., offered to **buy** 1.8 million shares of common from Colorado Interstate Co. at $40 net per share. Offer expires 5 P.M. on July 21, 1972, New York time.

Standard Oil Co. of New Jersey adopted a resolution recommending to its shareholders that the company's **name** to be changed to Exxon Corporation. If shareholders at special fall meeting approve the name change, it will become effective at the end of the year. At that time, Humble Oil & Refining Co., Esso Chemical Co., and Enjay Chemical Co., will be merged into Exxon Corporation. Chairman J.K. Jamieson said that the new name would simplify and improve company communications and identification with their products and services. The election of M.A. Wright to executive vice president and director of Exxon Corporation will become effective at the time of the merger.

Western Union Telegraph Co. announced the expansion of the **transmission** of mail electronically in the Northeast. The mail service is called mailgram and combines low-cost electronic message transmission with next day postal delivery anywhere in the 48 contiguous states. The expansion adds Mailgram message acceptance by telephone in 10 Northeastern states and metropolitan District of Columbia.

Stellar Industries, Inc. announced the **appointments** of Harry R. Steel as corporate controller and Hugh Sackett as president of Stellar Lawn Care Group.

Monsanto Company announced an **agreement** had been signed for the sales of its petroleum refining and marketing business, operating under the Lion Oil name to The Oil Shale Corporation for $24 million in cash.

DiGiorgio Corp. announced that James C. Ellis had been **named** president of the DiGiorgio Development Corp., an operation division.

Interphoto Corp. reported for the quarter ended May 31 sales of $14.9 million and a **net loss** of $304,340 compared with the 1971 quarter when sales were $14 million and net income was $106,840 or 10 cents a share.

U.S. Leasing Real Estate Investors acquired a 50 per cent equity interest in the 27-story Colorado State Bank building which was completed in 1971.

Foster Wheeler Corp. announced it had **acquired** a majority interest in Chemical Separations Corporation of Oak Ridge, Tenn., a designer and constructor of water and pollution equipment.

Browing-Ferris Industries, Inc. announced the **acquisition** of CESCO, Inc. on an exchange basis of 4 shares of BFI for 5 shares of CESCO.

Commercial Metals Co. reported third quarter ended May 31 sales of $54 million, **net earnings** of $856,084 or 61 cents a share compared to the 1971 quarter when sales were $56 million and net earnings were $500,194 or 36 cents a share. For the nine month period ended May 31, sales were $142.4 million, net earnings were $1.4 million or $1.02 a share as compared to the 1971 period when sales were $157.3 million, net earnings were $1.4 million or $1.07 a share.

Mutual of New York promoted Robert U. Shallenberger and Henry S. Romaine as senior vice presidents.

Commercial Metals Co. reported for the quarter ended May 31 sales of $54 million and **net earnings** of $856,084 or 61 cents a share as opposed to the 1971 period when sales were $56 million and net earnings were $500,194 or 36 cents a share. For the nine month period ended May 31 sales were $142.4 million, net earnings were $1.4 million or $1.02 a share as opposed to the 1971 period when sales were $157.3 million, net earnings were $1.4 million or $1.07 a share.

Parker Pen Co. reported for the first quarter ended May 31 sales were $19.6 million and **net earnings** were $861,167 or 29 cents a share as compared to the 1971 period when sales were $17.7 million, earnings were $708,638 or 24 cents a share.

Technicolor, Inc. announced that the chairman of the executive committee, Harry Saltzman had **sold** 370,500 shares of Technicolor in a private transaction.

Rockower Brothers reported for the six months ended June 24 **sales** of $29.4 million as opposed to the 1971 period when sales were $24.6 million.

Republic National Bank of New York reported for the six months ended June 30, **net income** of $3.4 million or $1.55 per share as compared the 1971 period when net income was $2.2 million or $1.21 a share.

Dennison Manufacturing Co. reached an agreement in principle to **acquire** Control Print Corp. from American Cyanamid. No further details are available.

BBDO International Inc. named Marvin L. Krasnansky as vice president of corporate relations, it was announced by president Tom Dillon.

Chris-Craft Industries, Inc. reported for the three months ended May 31 sales of $22.4 million, **net income** of $583,000 or 8 cents a share as compared to the 1971 period when sales were $19.2 million and a net loss of $258,000. For the nine month period ended May 31, sales were $52.4 million and a net loss of $2.1 million as compared to the 1971 period when sales were $46.1 million and net loss was $2.9 million.

Lea-Ronal, Inc. reported for the quarter ended May 31 sales of $8.6 million, **net income** of $300,719 or 22 cents a share as compared to the 1971 period when sales were $7 million and net income was $251,235 or 18 cents a share.

Sperry and Hutchinson Co. estimated that its 1972 **earnings** would approximate those of last year which were $38 million before an extraordinary charge of $1 million.

Kaufman and Broad, Inc. reported for the six months ended May 31 sales of $117.3 million and **net income** of $7.7 million or 52 cents a share as compared to the 1971 period when sales were $88.8 million, net income was 14 million or 34 cents a share.

Deere & Co. announced that it has authorized the **purchase** by the company of up to 250,000 shares of its common stock.

Shapell Industries reported for the quarter ended June 30 revenues of $17.5 million, **net income** of $1.5 million or 43 cents a share as compared to the 1971 quarter when revenues were $11.4 million, net income of $1.2 million or 35 cents a share.

Safeway Stores, Inc. reported for the 24 weeks ended June 17th sales of $2.7 billion and **net income** of $38.7 million or $1.51 a share as compared to the 1971 period when sales were $2.3 billion and net income was $38.6 million or $1.28 a share.

Investors Realty Trust announced for the three months ended May 31 gross revenues of $1.4 million, **net income** of $336,331 or 21 cents a share. For the first six months ended May 31 revenues were $2.7 million, net income was $620,671 or 39 cents a share. Initial offering of stock was made May 1971.

Blount, Inc. announced the completion of the **merger** by which J. P. Burroughs & Sons, Inc., becomes a subsidiary.

Lockheed Aircraft Corp. announced that Robert W. Haack was **elected** a director effective August 1st. Mr. Haack is leaving the presidency of the N.Y. Stock Exchange.

White Motor Corp. announced that farm equipment **production,** all sales and marketing operations for the White Farm Equipment Company are now located in Charles City, Iowa with the investment of $3.5 million in plant arrangement and manufacturing equipment.

Eastern Gas & Fuel Associates reported for the six months ended June 30 sales of $178.6 million, **net income** of $11.5 million or $1.20 a share as compared to the 1971 period when sales were $170 million, net income was $16.1 million or $1.56 a share.

Guilford Mills, Inc. has **acquired** all the outstanding stock of Astrotex, Ltd., of New York in exchange for Guilford common.

United Financial Corporation announce a preliminary agreement had been reached whereby its subsidiary, United Savings and Loan Association of Calif. and Citizens Savings & Loan Association will be **merged,** creating a billion dollar organization.

Del Monte Corp. appointed John H. Robert manager of financial relations and planning.

Kaufman & Broad announced that Gerhardt M. Hoff had been **elected** president of Sun Life Insurance Co., a subsidiary.

Engelhard Minerals & Chemicals Corp. announced that it had signed an **agreement** with Ford Motor Co. to supply not less than 60 per cent of the catalytic devices of the platinum monolithic honeycomb type for use as original equipment in motor vehicles to limit hydrocarbon and carbon monoxide emissions.

Boeing Co. announced the awarding of Air Force missile **contracts** worth $222.8 million.

ESB Inc. elected president F.J. Port as chief executive officer. He succeds E.J. Dwyer who remains as chairman of the board. In addition, Dr. A. J. Salkind was elected to the post of vice president of technology and Eleanor M. Peoples was elected assistant secretary.

Option Opportunities

By LEROY GROSS

Yes, gone are the days when options were viewed by Wall Street with distrust and suspicion - a product to be avoided. They were considered mysterious — slightly less than respectable instruments of acquiring and disposing of stock — dealt in by maybe less than reputable characters or manipulators.

In the 1950's, Merrill Lynch, Pierce, Fenner & Smith refused to even let options be taught to their trainees or account executives as if they were something immoral, illegal - perhaps even fattening. Yes, those days are gone. For today, 1972, Merrill Lynch, Pierce, Fenner & Smith is advertising in large newspaper ads and other media that they want customers, who will buy or write these option contracts. They announced that they have a crash program in force to educate their some 5,500 account executives into the uses of options.

Not only Merrill Lynch, but many of Wall Street's most prestigious houses as well have entered into the option game in recent times. They include Goldman, Sachs - Donaldson, Lufkin & Jenrette — Bache — Harris Upham — W.E. Hutton — E.F. Hutton — Reynolds Securities Inc. and a host of others. All of these firms have established option departments in the hope of increasing their total commission business and educating their clients to the many uses and possibilities that exist due to options.

Yes, what are these mysterious instruments? How does one make money with them or how does one lose money with them? Does a possibility really exist of earning two, three, four hundred percent or more on your capital investment in a very short period of time - usually six months, ten days, or less? Is the risk to buyers absolutely limited? What are the advantages? What are the disadvantages? Can you really insure stock market profits? How does one go about attempting to earn 15 per cent to 20 per cent on his total capital each year? What risks must be incurred? What can be avoided? Is it possible to really start out with a profit paid in advance on every transaction that you ever make in the stock market? What are the mechanics involved? Is it really that complicated and so tough to understand that it can't be mastered quickly in a reasonable period of time?

Basic Vocabulary

The answers to these and many other questions concerning options (generally called puts and calls) will be answered in this column on a regular basis. However, before we get into the uses of options, the possibilities that exist for profits, and the risks that one may encounter, an investor has to understand the terms that are used in the option market. Therefore, I'm going to list below the most frequently used terms and their definitions so that one can gain a smattering understanding of options and the requirements for participation. Readers who are first time students of options should save this initial column for reference. Many of the terms encountered, which are indigenous to the option market, follow:

CALL OPTION - This is perhaps the most popular of all option contracts and gives the holder the right to buy 100 shares of stock at a specified price for a set period of time. Each contract is invariably for 100 shares.

PUT OPTION - Is the second most popular contract and gives the holder the right to sell 100 shares of stock at a fixed price for a set period of time.

PREMIUM - This is the amount that a buyer of an option pays for the right to buy from an option issuer or sell to an option issuer.

STRIKING PRICE - This is the price that is stated in the option contract and at which the option may be exercised (this striking price, however, will be reduced by any cash dividends or rights that go ex within the specified time period)

STRADDLE — Is simply a combination of a put option and a call option (each for 100 shares) at the same striking price for a set period of time.

STRIP — This seldom used contract is the right to put (sell) 200 shares of stock and call, (buy) 100 shares of stock at the same striking price for a set period of time.

STRAP - This contract is also seldom used and gives the holder the right to call 200 shares and put 100 shares of stock at the same striking price for (a set) period of time.

SPREAD OPTION - This rarely used contract is an option to purchase 100 shares of stock at a price above the current market and the right to sell 100 shares of stock at a price below the current market. Spread options are generally available at prices to buyers lower than that of a straddle.

Option contracts, by the way, are guaranteed as to performance by member firms of the New York Stock Exchange. They are freely transferable from one person to another, and from one firm to another. All contracts expire at 3:15 New York time on the day of their expiration date - (unless exercised previously). All holders of options should be alert to the fact that their broker needs time to carry out instructions to exercise or sell a valuable option contract. They should notify him of their intention to sell or exercise their option at **least** an hour before the 3:15 expiration time on the last day of the contract. An option presented for exercise after 3:15 on its expiration date will not be honored.

Note: Mr. Leroy Gross is the director of Reynolds Securities Inc.'s National Option Department.

Pothier Now With Burgess & Leith

BOSTON, MASS. — Burgess & Leith, members of New York, American, Midwest and Boston Stock Exchanges, has announced that Joseph E. Pothier, Jr., has joined the firm as a Registered Representative. Mr. Pothier will represent the Boston-based investment securities firm in the Providence and Attleboro areas.

Investors in the Providence area can contact Mr. Pothier by calling Enterprise 3220; Attleboro area residents may telephone 222-7737. He can be reached from other areas through the firm's Boston number, (617) 742-5900.

THE MARKET AND YOU

By WALLACE STREETE

Things get curiouser and curiouser in the topsy-turvy land of politics.

Some say the GOP does it with mirrors; but the latest bit of sleight-of-hand slights the mind of any thinking man.

Democratic Presidential candidate Sen. George McGovern is presented as an economic neophyte at best and a rascally freebooter determined to make the rich (individual and corporation) walk the tax plank at worst.

The validity of both these images is, of course, open to debate since McGovern has never been in a position to work his will on Congress or the American people on any grand scale.

However, the question or issue is not the pronouncements, pledges, plans and promises of an "out" candidate. He's not in the White House now. And, it's obvious that what the President — any President — proposes is often times disposed of quite rudely by the solons on Capitol Hill.

Chase Econometrics took a look at the economic McGovern and concluded that his policies would lead to a recession in 1974 and a 7 per cent jobless rate. This is obviously unacceptable; just as unacceptable as the persistently high unemployment that has been a national blight under the Nixon leadership.

Turnabout is Fair Play

The nation has also struggled through a recession under the GOP stewardship. The tax burden on all continues onerous with even the small bone thrown the individual taxpayer this year going the "Indian-giver" route via the overwithholding ploy.

Inflation? Don't ask. Go to the supermarket a couple of weeks in a row and check out the prices.

In short, the Administration has groped through a three-and-a-half year bit of economic blindman's buff — stumbling, staggering but always managing to sputter optimism which proved largely unfounded for the most part.

Nixon came into office praising laissez faire, eschewing the "jawbone" in matters economic. A calculated trade-off — tight money and jobs for anti-inflation points — failed but not before inflicting myriad woes on the economy and infecting the nation with discontent. Then came the controls and phases; pay boards and price boards and councils — they're still with us.

So the next time a marketletter writer suggests McGovernomics will work slaughter on Wall Street just, as the politicians like to say, look at the record. A politician runs on his record and Nixon's ledger is full of domestic debits.

Meanwhile, the stock market backs and fills with the Dow industrial index down to where it was in early May and a summer rally still no more than a hope.

Profitable Sidelines

The Big Board — always chock full o' goodies for the astute — provides the following tidbits of information for the interested.

At latest count, there were 22 NYSE member firms and some 2,300 registered reps licensed to sell life insurance and sales staffs are being increased rapidly. These gentlemen and women are now handling the policies of 18 insurance companies.

Thomson & McKinnon vice president Chapman C. Clark recently listed reasons why brokers are going into the insurance business.

•On average, he said, registered reps are now dealing with only 15 per cent of clients' assets — the tip of the iceberg.

•About 95 per cent of clients own life insurance but 85 per cent are "somewhat mismanaged" in the insurance area.

•The average, middle-income investor is now seeking increased management support from his stockbroker. He wants methods to meld stock investment with a total financial picture.

•Offering non-cyclical products is an important step in protecting brokers against cyclical trends.

Walston, A.G. Edwards & Sons, Hornblower & Weeks-Hemphill, Noyes and duPont Glore Forgan executives also commented.

Walston, which has an agreement with Travelers Insurance, has approximately 1300 account executives who have completed insurance training out of a total sales force of 1,600, according to VP Thomas C. Hofstetter.

A.G. Edwards & Sons is "entering insurance with a low profile," said Paul Shatz, VP-national sales. "We would start with approximately 100 registered reps," he said.

Robert Sharer, partner, Hornblower & Weeks-Hemphill, Noyes noted some hesitation at his house stating: "We're kind of split as to whether or not this is a product we should take on."

DuPont Glore Forgan, which is working with John Hancock Co., said two-thirds of its 1,400 sales force is already approved to sell insurance. "We believe that the life insurance product is a viable one and it's going to have to receive specialization," VP John Gray pointed out. "So we are embarking now on a training program where we hope to place in at least 50 of our branch offices, over the next 2½ months, full-time specialists who have been trained in the insurance concepts and applications."

Potential Markets

Other data gathered by the Exchange's researchers include:

Investors earning $20,000 and above make up 25 per cent of all shareholders but less than 6 per cent of the U.S. adult population.

Shareownership in the $15,000-$25,000 category tripled to 7.7 million between 1965-70 while, in the over $25,000 sector, it nearly quadrupled to 4.1 million.

Six out of seven shareowners earn less than $25,000.

A huge market potential exists among millions of well-educated and affluent shareowners who have had only a limited market participation in recent years.

More than 10.6 million inactive shareowners have some college training; one-third attended graduate school.

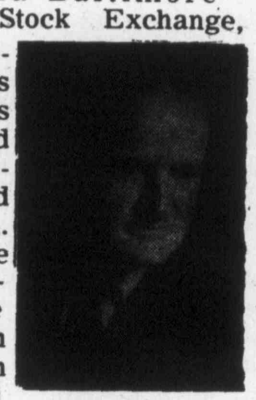
A total of 6.6 million professional, technical and managerial personnel were inactive in 1969.

Nearly 4 million inactive investors have incomes exceeding $20,000 a year with some 2.4 million taking down more than $25,000 annually.

However, frequency of activity alone no longer can be equated with profits since it lacks the dollar value dimension. Nearly 600,000 active shareholders made transactions totaling $50,000 or more in 1969. For active investors this is equal to about $5,000 a trade, yielding approximately $44 in commissions (1969 schedule). Inactive accounts transacting $50,000 or more in volume averaged three trades worth over $16,000 a deal — certainly more profitable than many "active" customers.

Mundy, Lefkof V.P.s of Suplee

PHILADELPHIA, PA. — Suplee-Mosley Inc., 1700 Market Street, members of the Philadelphia-Baltimore-Washington Stock Exchange, have announced that James G. Mundy has been appointed vice president-trading, and Raymond A. Lefkof vice president-corporate finance. Both have been associated with the firm for many years.



James G. Mundy

Mr. Mundy is president of the National Security Traders Association and is an active member of the Investment Traders Association of Philadelphia.

Houston Stock & Bond Elects

HOUSTON, TEX. — The Stock & Bond Club of Houston has elected Kenney R. Voelkel, Jr., First of Texas, Inc., president for the ensuing year, succeeding Stuart Hellman, Rotan, Mosle-Dallas Union Inc.

BANK AND INSURANCE STOCKS

THIS WEEK — BANK STOCKS

Most investors tend to think of particular stocks in terms of membership in particular groups. Their prices rise when the group rises, or fall when the group declines.

Yet, every group of stocks is bound to have diverging or even contradictory price and dividend-yield patterns at any given moment. Individual factors affect individual companies: Anaconda's Chilean losses could actually help Phelps Dodge profits. Investors seeking a position in the franchise field, and weighing the accounting and other difficulties that beset Denny's and International Industries, have helped push McDonalds' shares to repeated new highs.

Bank stocks are no exception to this cross-current pattern. Philadelphia and Boston banks normally sell at a generous yield. West Coast banks pay substantially less. New York banks range from Charter's 5 per cent plus down to First National City's 2 per cent plus. Nearby Long Island's banks, however, nearly all sell at astronomical multiples. The steady acquisition pace of New York City's expanding giants accounts for the anomaly.

Thus, the need for a reliable, truly representative Bank Stock Index, one that will accurately reflect these major geographical and regional differences.

The CHRONICLE has now filled that need. Five individual, regional Bank Stock sub-Indexes that, combined, add up to what we regard as the single most valid and informative composite Bank Stock Index now serving the financial community.

We've carefully selected five of the key banks in each major region for inclusion in the appropriate regional Index. These banks are and have been nationally recognized for their blue chip quality and prime investment characteristics: consistent growth, top management, and demonstrated expertise in all aspects of the financial fields. The roll of honor includes:

	1972 high-low	Current Price	Yield
NEW YORK REGION			
Bankers Trust, New York	$65-53	$53	5.33%
Chase Manhattan	61-52	54	3.70
First National City	63-43	63	2.1
Manufacturers Hanover	37-30	35	4.4
J.P. Morgam	97-72	96	2.9
MID-EASTERN			
First Penn. Corp.	50-36	50	2.3
Mellon National	53-44	45	5.3
PNB Corp.	46-40	46	4.1
Pittsburgh Nat'l	38-33	34	4.10
Riggs Nat'l	75-64	68	4.8
SOUTHEAST			
Citizens & Southern	39-33	38	2.3
NCNB	67-45	67	1.2
Southeast Banking	37-26	37	2.0
Trust Co. of Ga.	83-69	83	2.3
Wachovia	39-31	38	1.6
MIDWEST			
American Fletcher	28-23	27	3.9
Cleveland Trust	87-78	81	4.5
Continental Illinois	58-37	57	3.2
First Chicago	52-35	51	3.0
National Bank of Detroit	54-47	49	4.5
SOUTHWEST			
First Nat'l Dallas	77-57	76	2.1
First Security	36-23	36	2.4
Republic National	37-30	37	2.7
Valley National	32-26	29	2.4
Whitney	90-82	87	4.6
FAR WEST			
Bank of America	45-36	44	2.5
Crocker National	39-33	33	5.0
Seattle First Nat'l	58-48	57	3.1
Security Pacific	33-27	29	4.3
Wells Fargo	50-39	47	3.4

At current prices, the CHRONICLE Bank Stock Index (which will be a regular feature of this column) now stands at 48.5. By way of comparison, on May 26, 1972, the same Index registered at 50.6.

THE STATE OF TRADE AND INDUSTRY

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

Economy's Performance Continues Brisk, Says Federal Reserve of N.Y.

The Federal Reserve Bank of New York is generally known for its conservative approach to economic statistics. It hardly would be expected to be effusive if the news was good. The Bank would merely say it feels encouraged by good economic news.

This time, however, the New York Fed positively waxes glowingly about the economy's performance measured in terms of its own preference for descriptive words.

The Bank's just-off-the press-July **Monday Review** stated that the economic data indicate "the economy has continued to expand briskly." The choice of that adverb compared to Lipton Tea's use of the adjective brisk means that the N.Y. Fed is positively ecstatic.

Nevertheless, the Bank is disturbed by the wholesale and consumer prices indices. It is convinced, however, that there has been a genuine cut in the ranks of the employed even though the unemployment rate dropped by only one-half of one percent.

In sum, this is what the Bank perceives at this time:

Recent data indicate that economic activity has continued to expand briskly. Retail sales rose markedly in May but then dropped in June, according to preliminary information. Sales were probably held down in June by the storm which affected much of the East. Industrial production posted a moderate, though broadly based increase in May. Over the first five months of the year, output has risen at a rapid 9 percent annual rate. In May, personal income climbed at roughly the pace of the first four months of the year, and the volume of residential housing starts increased after easing off in the two previous months. Moreover, there are tentative signs of some strengthening in inventory spending. The unemployment rate fell to a seasonally adjusted 5.5 percent in June, as employment increased and the civilian labor force declined by nearly 100,000 workers.

The latest price information suggests that inflationary pressures persist. Seasonally adjusted consumer prices, boosted by a rapid rise in prices of some nonfood commodities, increased at an annual rate of 4 percent in May. Retail food prices declined for the second consecutive month, but this improvement is not expected to be maintained. Wholesale prices of farm products and processed foods and feeds rose rapidly again in June, and industrial wholesale prices advanced at a disappointing 5 percent annual rate. June data reveal only a modest increase in wages for the second consecutive month, although over the Phase Two period as a whole wages have climbed considerably.

Steel's First Upturn in 8 Weeks

Steel meltings edged up for the first time in two months in the week ended July 8. Production of 2,430,000 tons were accorded an index reading of 99.6 which is four-tenths of 1 percent below the 1967 index base of 100 (i.e., 2,439,701 tons weekly average in 1967).

The above level was the second lowest since the week ended Feb. 12, according to the American Iron and Steel Institute - the compiler of the industry's data. In the comparable 1971 week, following the strike anticipated inventory build up, output came to 2,348,000 tons.

For the year todate, cumulative output was 8.1 per cent below the year-ago total. This marked a three-tenths of 1 per cent improvement over that reported the preceding week ending July 1.

	Net tons Produced	Index of production
Week to July 8	2,430,000	99.6
Week to July 1	2,412,000	98.9
Year to date	68,773,000	103.9
Year ago to date	74,820,000	113.0

The production index is based on average weekly output of 2,439,701 net tons in 1967.

Steel Imports Jump To Post Sept. High

Steel imports by the United States soared to their highest level in eight months during May, according to American Iron and Steel Institute.

Government data available to AISI shows that 1,616,000 tons of foreign steel entered this country during the month. The total included 13,000 tons of fabricated structural steel and steel blanks.

May's imports were more than 72 percent above April's 938,000 tons and were the largest one-month total since 1,789,000 tons of comparable imported steel arrived in the U.S. during September, 1971.

Through the first five months of 1972, steel imports totaled 5,905,000 tons, including 53,577 tons of fabricated structural steel and steel blanks.

Check Volume Leaps 33% Over Year-Ago

Even though the volume of check clearings declined for the second successive week in a row, the latest week (July 4 period) leaped a fantastic 32.9% above the year-ago holiday week.

The volume of checks cleared in twenty-six leading cities dropped 18.0 per cent to $146,026,595,000 in the holiday-shortened week ended July 5 from $178,053,803,000 a week earlier, reported Dun & Bradstreet, Inc. This second successive decline brought check turnover to the lowest level since Memorial Day week but it exceeded the comparable 1971 level of $109,865,381,000 by 32.9 per cent.

Check transactions in New York declined 17.8 per cent to $120,167,987,000 in the holiday week from $146,207,247,000 in the preceding week. While this was the smallest volume handled by New York banks since the first week in April, it still outweighed by 44.5 per cent last year's $83,170,172,000 in the similar week.

A holiday slowing prevailed also in the twenty-five centers outside New York where banks cleared $25,858,608,000 down 18.8 per cent from $31,846,556,000 last week and also off 3.1 per cent from the $26,695,209,000 in these cities in the like week last year.

Week Ended July 5
(000 omitted)

	1972	1971	%
New York	120,167,987	83,170,172	+44.5
Chicago	2,226,336	2,184,830	+1.9
Philadelphia	$1,651,784	$2,187,406	-24.5
San Francisco	2,610,448	2,524,323	+3.4

Sees Car Races Hitting Record High

Passenger car output dropped to its lowest point of the year last week due to the Tuesday holiday (July 4) and vacation and model changeover shutdowns in the industry, Ward's Automotive Reports said.

Ward's said scheduled output of 100,924 passenger cars this week contrasts with 155,766 finalized for last week and 131,333 in the same week last year. Shutdowns for model changeover will grease the production skid in coming weeks, the statistical agency said.

Already down for the model change are 12 General Motors Corp. car and four truck plants, including several which joined the list this week. Chrysler Corp. plants start closing down in mid-July, according to Ward's, and will be joined by American Motors about July 20.

Ward's said the industry's production slowdown is commencing under a shower of sales records that spells good times for the immediate months ahead. The statistical agency forecast nearly 9.2 million domestic-make new cars sales in the U.S. this year, joined by nearly 1.5 million imported cars — a passenger car total of nearly 10.7 million units and a new record. The addition of nearly 1.5 million new truck sales will give the industry in 1972 its first 13.0 million sales year for total vehicles.

Of last week's U.S. automobile output, GM accounted for 53.0 per cent, Ford Motor Co. 24.8 per cent, Chrysler Corp. 17.2 per cent and American Motors 5.0 per cent. Scant Saturday work at Ford and a Monday-Tuesday holiday at Chrysler Corp. plants featured this week's operations.

U.S. Production Statistics

	Cars	Trucks	Total
This Week	100,924	26,058	126,982
Last Week	155,766	45,102	200,868
Year Ago Week	131,333	31,684	163,017
To Date 1972	4,781,629	1,343,723	6,125,352
To Date 1971	4,857,412	1,114,000	5,971,412

Truck Tonnage Up

Intercity truck tonnage in 35 metropolitan areas in the week ended July 1 was 3.1 percent above the volume in the previous week of this year. Truck tonnage was 6.1 percent above the volume in the corresponding week of 1971.

The terminal survey for last week showed 27 metropolitan areas registered increases while 8 areas registered decreases in tonnage as compared with the immediately preceding week. Some of the larger increases can be attributed, in part, to the recovery from tropical storm Agnes. In addition, an up-swing in freight traffic is often observed prior to a long holiday weekend.

Compared to the 1971 level, 26 metropolitan areas registered increases in tonnage while 9 metropolitan areas registered decreases.

June's Department Store and Retail Sales Up 7 per cent Above The Year-Ago Week

In the July 1-ended week, total sales of all retail stores ($8.8 billion) were up 4 percent from the prior week and 7 percent from the year-ago week. For the most recent weeks, they were 7 percent higher than the year-ago period. Since the first of the year, the sales' gain was the same 7 percent.

Department store sales were 3 percent higher than the preceding week 7 percent above the year-ago period for the latest four-weeks, and the cumulative total since January 1 was 8 percent higher than the 1971 equivalent year-to-date period.

July 4 Week KHW Production

Electric output for the week ended July 8 was lower than that for the preceding week and the year-ago week. The week's production was 31,749 million kilowatt hours compared to 34,732 million the prior week down 8.0 per cent and 32,275 million the year-ago week (1.6 per cent). Both last and the year-ago week's included the July 4 holiday.

In the 52-weeks ended July 8, electric energy generated was up 5.6 percent compared to the year-ago period.

Rail Freight Stays Fractionally Ahead

Freight traffic on U.S. railroads during the week ended July 1 totaled an estimated 14.5 billion ton-miles, 0.4 percent above the corresponding week a year ago, the Association of American Railroads reported.

Cumulative volume for the first 26 weeks of 1972 was an estimated 386 billion ton-miles, 0.8 percent above the comparable period a year ago.

Loadings in the week ended July 1 totaled 476,738 cars, 7.5 percent below the preceding week and down 3.2 percent from the corresponding week a year ago, again reflecting the effects of tropical storm Agnes.

Compared with the corresponding week of 1971, 10 of the 21 commodity groups showed increases, although loadings of metallic ores were down 10,949 cars, or 20.9 percent. Twelve of the 21 groups were up over the preceding week. Coal loadings were down 40,748 cars, or 43.2 percent, as the annual coal miners' holiday period began.

Piggyback

The AAR also reported that piggyback revenue freight traffic for the week ended June 24 totaled 26,420 cars, 5.7 percent above the corresponding week last year, and 43,708 trailers or containers, up 5.0 percent over 1971. Cumulative volume for the first 25 weeks of 1972 is 612,589 cars, 7.4 percent above last year, and 1,025,205 trailers or containers, 10.9 percent above last year.

In addition to freight, 2,089 cars carrying 3,436 trailers or containers of mail and express traffic were handled by piggyback. Cumulative figures for the first 25 weeks of 1972 are 59,781 cars, down 25.4 percent from 1971, and 95,006 trailers or containers, down 20.6 percent.

How High is "Depressed"?

Continued from Page 3

a share puts it into the below-4 per cent class, a full percentage point below normal. Allied Chemical slashed its dividend three years ago, has never restored the cut, and now reaps the reward of its financial prudence by selling at around a 3½ per cent yield instead of its former 4½ per cent basis.

Homestake Mining sells above $25 a share and pays 40 cents. The price is about where it was 10 years ago, while the dividend is almost 50 per cent less. Drug stocks are way up. Machine tool issues are at or near their highs despite an industry-wide epidemic of dividend reductions or omissions. The oils are in line with their traditional Price/Yield ratios but with their present difficulties in Libya, Bolivia, the Middle East, and just about everywhere else, plus pollution problems, how many would call a 5 per cent return on Standard Oil of California too high?

As for dependable General Electric and RCA, they're still rolling along nicely at around a 3 per cent return. G. E. has managed to increase its dividend by 40 per cent in ten years, significantly less than you'd get at a thrift institution, while RCA has made the expensive transition from electronics and business machines to carpets, books, snacks, and real estate. Its dividend hasn't budged the last 5 years. But it's still selling at a 2½ per cent-3 per cent return!

High Prices-Low Yields

That's been pretty much the story throughout the stock list. The public's enthusiasm for poor quality, highly speculative, thinly capitalized issues has caused many better known, better quality issues to be priced correspondingly higher; higher in fact than their track records, growth prospect, Phase II profit restrictions, or the national economy entitle them. And tagging right along with these higher prices have come (in some cases) sharply lower dividend yields, heretofore the tell-tale benchmark of a "Growth Stock", but today simply another symptom of today's "Growth Stock" enthusiasm.

No, I don't believe today's stock market is depressed. Quite the contrary. Like so many other aspects of the nation's economy, most securities are today relatively inflated and the prospect this election year, according to some members of the financial community, is for more of the same.

Common Sold by Intermedco Inc.

The public offering of 461,744 shares of Intermedco Inc. common stock is being made at $10.75 per share through underwriters led by Rauscher Pierce Securities Corp., Dallas.

Of the total shares, 200,000 are being sold by the company and 261,744 by certain stockholders.

Proceeds from the company's portion of the offering will be used for debt repayment, working capital and other corporate purposes.

Intermedco, of Houston, is engaged in the distribution of medical, surgical and laboratory products.

The Security I Like Best

Continued from Page 2

that caused concurrent depressed results in 1970-1971 will recur in the near future. Management has taken a realistic approach in cutting losses and withdrawing from businesses with uncertain futures to concentrate more effectively on existing profitable activities. While very small operating losses may continue before complete divesture, we doubt they will reach the unusually high levels of 1970-1971, when the GTE division losses rose sharply with a consequent major negative effect on earnings. In fact, a sustained period of added utilization appears more likely now than at any time in the past few years.

Company Background

Consolidated Leasing Corporation, a holding company with headquarters in Chicago, provides transportation service to the mobile home industry, rents and leases automobiles, trailers, trucks, piggyback units and heavy construction equipment to individuals and industry; and hauls fertilizer, grain and coal by barge along the Mississippi River.

The following is a breakdown of the company's three major sub-divisions and their subsidiairies.

1. **Direct Transportation** (59.8 per cent of Revenues and 77.8 per cent of Pre-Tax earnings)

A. **Morgan Drive Away** — Transports mobile homes and modular housing units.

B. **Wisconsin Barge Line** — Transports bulk commodities through the Mississippi River System.

C. **Consolidated Grain & Barge Company** (50 per cent owned) — Markets waterway freight service.

2. **Rental and Leasing** (18.2 per cent of Revenues and 15.5 per cent of Pre-Tax earnings)

A. **Consolidated Leasing Company and Eagal's Equipment Company** — Rents and leases cars and light trucks.

B. **General Transport Equipment Company and Oser Leasing Company** — Rents and leases truck, tractors, and trailers.

3. **Distribution** (22 per cent of Revenues and 6.7 per cent of Pre-Tax earnings)

A. **Contractors Machinery Company** — Distributes heavy-duty construction equipment in the state of Michigan.

B. **Conexco** — Distributes heavy-duty construction equipment in Southern California.

Industry Outlook

We look for a resumption of sales and earnings growth for Consolidated in 1973 and beyond. The absence of the substantial negative effect of additional writeoffs of General Transport Equipment (piggyback leasing) should produce successively better quarterly comparisons throughout fiscal 1973. In addition, recent publications of present and projected figures for mobile home shipments (Morgan Drive Away accounts for approximately 30 per cent of mobile home industry shipments) and the cost advantage of shipment by barge (Wisconsin Barge Line is a major hauler of bulk commodities growing exceedingly faster than the industry average rate of 7.6 per cent) should prove promising for these two excellent markets served by Consolidated.

Mobile Homes (Morgan Drive Away and Russell Trucking)

Housing starts and mobile shipments were surprisingly strong in 1971. Although there were numerous reasons for the dramatic rise in the amount of "shelter" constructed in 1971, the single most important factor was the abundant availability of money. We project higher housing starts and mobile home deliveries in 1972.

Morgan Drive Away is the country's oldest and by far the largest transporter of mobile homes and travel trailers, mainly from manufacturers to dealers. Owner-operated tractors are utilized allowing Morgan to manage with a minimum investment in equipment and thus maintain a low overhead expense factor.

Russell Trucking hauls building materials in a 24 state area. Products are picked up at manufacturing and storage plants for movement to construction sites.

We estimate division revenues for both Morgan and Russell in fiscal 1972 could exceed $40 million with pre-tax earnings in the area of $3.8 million.

Water Transportation (Wisconsin Barge Line, Inc. and Consolidated Grain)

Water transportation of bulk commodities, keyed to grain export, has a long and consistent record of tonnage and ton-mile growth as world demand for food and feed rises. For all commodities, ton-miles on the Mississippi River system increased approximately 70 per cent in the 1963-1970 period. Although slower than other forms of transportation, barging of goods offers the shipper the cheapest form of transportation. Marine transportation costs about 0.3 cent a ton-mile compared with 1.4 cents for rail and 7.7 cents for trucks. A recent publication predicts sharp gains for water transportation and attributes this to a big surge in exports. One of the front running industries in this decade will be water transportation, with an average growth rate of 7.6 per cent.* In addition, virtually all barge transportation activities are exempt from ICC rate regulations, permitting considerable flexibility in rate structure.

Wisconsin Barge Line is a major factor in the transportation of food commodities (wheat, corn, and soybeans) southbound and industrial products (coal, fertilizer) northbound along the Mississippi River System. President Nixon's recent visits to both the Soviet Union and China indicate a significant expansion opportunity for export trade, particularly U.S. grain and other industrial commodities that pass through the Gulf port of New Orleans. Wisconsin Barge has steadily increased revenues and earnings growth over the industry average, and all projections point to a continuation of that trend. The extensive public waterway system developed and maintained by the Federal Government (the Arkansas-Oklahoma extension to the Mississippi was opened last year) should add to revenues. More importantly, management has been highly aggressive and successful in securing northbound traffic, thereby improving barge utilization. The use of higher barge rates should simultaneously benefit pre-tax margins.

Following sharply higher earnings for fiscal 1972, barge line business is expected to grow 15-20 per cent in the upcoming fiscal year. The recent addition of 25 barges brings the fleet to 305 barges and 9 tow boats.

The outlook for Wisconsin is enhanced by the inherent cost advantage of barge transporation over competing modes.

Consolidated Grain and Barge offers inland waterway freight services and more recently has developed grain handling facilities. Its customers include most of the major grain shippers and users (Continental Grain Co., Cargill, Inc., etc.) as well as the principal water carriers operating on the Mississippi.

We anticipate continued growth for these divisions with revenues of better than $15 million and pre-tax earnings of approximately $4.0 million for fiscal 1972.

Consolidated is also well established in other good markets.

Leasing (Consolidated Leasing Company and Eagal's Equipment Co.)

Leasing of vehicular equipment for fleet and commercial users is growing at an estimated rate of 15 per cent per year, with only a fraction of the total vehicles in commercial and industrial use operating on a leased basis.

Consolidated Leasing Company and Eagal's Equipment Company lease cars and trucks nationwide. Consolidated Leasing Company also operates the Southern California Car and E-Z House Trailer franchise for National Car Rental System.

Oser Leasing and General Transport Equipment rent and lease highway trucks, tractors, and trailers to private carriers in the Midwest.

Mobile Facilities rents and leases movable structures for use as offices, classrooms, and for temporary space requirements.

We anticipate continued growth for these divisions with revenues of better than $15.5 million and pre-tax earnings of approximately $1.7 million for fiscal 1972.

Construction (Contractors Machinery and Conexco)

Commercial, industrial, and public construction continues at high levels and is enjoying an assist from record residential starts. Non-residential and non-building construction is the segment of the construction industry where the major changes should come in 1972 and 1973. As shown in Table 1, the volume of non-residential construction measured in constant dollars declined during the two years, 1970-1971. Non-residential contracts reversed this decline about mid-1971, and contracts are now running more than 10 per cent above the corresponding year's earlier months, on average. Furthermore, as the record levels of recent municipal and state long term financing begins to be committed for specific projects, these areas of construction should show even greater improvement.

Contractors Machinery Company and Conexco, Inc., sell, service, lease, and rent heavy duty construction equipment in the state of Michigan (Contractors) and Southern California (Conexco). Soft economic conditions in the Southern California areas had an adverse effect on earnings for Conexco, but we expect a moderate improvement during the latter part of 1972 as construction activity increases.

Revenues could exceed $18.0 million in fiscal 1972 with pre-tax earnings approaching $700 thousand.

Earnings And Revenues

For the nine months ended April 30, 1972, revenues were $70.8 million, a gain of 11 per cent, while earnings per share increased to $.69 compared to a restated $0.11 per share. Overall improvements in company operations more than offset the sharp reduction in the trailer leasing business. Margin improvement in Wisconsin and Morgan, lower depreciation and interest charges, and the paring of losses from General Transport Equipment boosted pre-tax income to $5.6 million from $785,600 in fiscal 1971. While net income increased to $3,056,000 from $480,000, taxes amounted to 45.4 per cent versus 38.9 per cent in the comparable year.

Seasonally strong fourth quarter operations for Morgan and Wisconsin plus breakeven operations at General Transport Equipment should allow full year earnings to approach $0.95-$1.00 a share (the amortization of investment credits will be deferred over the useful life of the assets).

For fiscal 1973 and beyond, Morgan and Wisconsin are expected to grow at 15-20 per cent annually with margins well maintained. A rising volume of mobile home shipments, continued higher rates in the barge line operation, and an improving economic climate for construction are impressive growth characteristics.

*Business Week, April 8, 1972.

Tomorrow's Economy — Perhaps

Continued from Page 1

Without expressing any personal preference for the presidential contenders in this analysis, I am attempting to contrast some of the economic trends which I consider likely to result from the outcome of a Nixon-McGovern race (right).

Having given top-billing to the iffiness of the 1973 outlook, I shall add some tentative estimates, **based on a political guess:** Although the North Vietnamese have "endorsed" McGovern as their favorite and will undoubtedly delay an early political settlement that would help Nixon, most of Wall Street still expects Nixon to stay in the White House. **Based on that guess, and on what has already been said** about the economic trends expected to emerge in that eventuality, I would venture a few **1973 benchmarks:** (below).

Compared with the few projections that have already appeared, the above benchmarks for gains in **real** GNP and in pretax corporate profits are relatively optimistic. Optimism regarding 1973 corporate profits is based on the fact that prices and margins in a number of industries are being held below their free market levels by current controls, and may catch up when these controls are suspended. (Nixon's recent refusal to control food prices by means other than liberalized meat imports is an indication of his basic distaste for controls). As the above benchmarks indicate, I expect private domestic investment — both fixed and inventories — to firm up in the coming months and to be a dynamic factor in the 1973 economy, together with personal consumer expenditures and State and Municpal spending while housing and Federal spending would be less supportive. If McGovern should come into the White House, private domestic investment would probably turn limp while Federal spending would become dynamic.

If benchmarks of this type would become "standard forecast", the implication for the stock markets would be positive, at least for late 1972 and early 1973.

VARIANCES IN LIKELY TRENDS

	Nixon Re-Elected	McGovern Elected
(1) Fiscal:	A moderate increase in defense spending. 1972/73 deficit about $35 to $37 billions.	Pressure for sizeable defense cuts and sizeable increases in other outlays - probably even bigger deficits.
(2) Taxes:	Limited shifts in tax burden.	Pressure for sweeping shifts in tax burden and for sharp cuts in corporate cash flow.
(3) Monetary Policy:	No strong resistance to Fed's more cautious expansion in money stock.	Strong pressure for "easy credit" policies.
(4) Inflation:	Slow rise in basic pressures, as business recovery gains momentum.	Sharp rise in basic inflationary pressures (see (1) and (3)).
(5) Controls:	Trend toward suspension of Phase 2 in early 1973.	Trend toward re-inforcement of controls as an offset to stronger inflationary stimuli.
(6) Basic Eco. System:	Present system allowed to function, largely through encouragement of private enterprise ("trickle-down" theory).	Weakening of incentives for private enterprise could result in a basic shift toward government- planned and controlled economy.
(7) Bond Mkt.:	Slow rise in yields as bus. pace and inflationary expectations rise.	Attempt to offset tendency toward sharp rise in yields - to compensate for expected inflation - by interest rate ceilings plus credit allocations.
(8) Stock Mkt.:	Well maintained to rising into early 1973. Then possibly cresting or declining in expectation of cresting profits in 1974.	Weakened by threats to corp. profits and to fundamental system of profit incentives.

(9) Balance of Payments and Dollar Position.

Whether the principal foreign central banks will continue to buy up unwanted and inconvertible dollars to maintain the dollar within the Smithsonian band is a matter of their faith in an improvement in our balance of payments within a reasonable time. The sudden floating of the British Pound has also weakened foreign confidence in the dollar, as evidenced by the immediately ensuing dollar offerings soaked up by the German Bundesbank. For the time being, the Common Market central bankers have re-affirmed their determination to support the Smithsonian Agreement and the dollar. An intensified confidence crisis could of course result in a stampede out of the dollar which might break that agreement, in which case the dollar would probably either fully "float" for a while, or half-float in a two-tier arrangement. The seriousness of such a development lies in its potential for generating new barriers to internatonal trade and fund movements which - incidentally - would tend to handicap our many multi-national companies.

Fundamentally, the existence of the stop-gap Smithsonian agreement hangs on the thin threads of international confidence. Central bankers are usually men distrustful of abrupt social changes, especially of innovations necessitating huge government spending and easy credit policies. Therefore, one can hardly avoid the conjecture that their confidence would not exactly be bolstered by the advent to the White House of a social innovator. This, or even the mere likelihood of it, could mean the end of the Smithsonian agreement.

	Approx. Level (In Billions)	Change From Est. 1972
Current GNP	$1,271	+10.0%
Constant GNP	...	+ 6.0%
Implied Price Deflator	...	+ 4.0%
Personal Consumption Expenditures	794	+ 9.5%
Gross Private Domestic Investment	196	+12.0%
Federal Government	113	+ 5.0%
State & Local "	168	+12.0%
Net Exports	nil	---
Pretax Corp. Profits		+12 to 15%
FRB Ind. Prod. Index		+ 7.2%
Housing Starts		-10.0%

Penn. School Of Banking

The Pennsylvania Bankers Association will hold its annual Pennsylvania School of Banking August 13-18 at Bucknell University, Lewisburg, Pa.

COMING EXCHANGE LISTINGS

In the following tabulations, we give the names of companies which have been approved for initial listing of their stock on either the New York Stock Exchange or the American Stock Exchange; also the pending applications. In the case of approvals, we show the date on which initial trading in the company's stock will occur and the appropriate symbol when such information is available to us at presstime.

New York Stock Exchange

Listings Approved

ANGELICA CORP. - 2,134,530 shares July 10
CHASE CONVERTIBLE FUND OF BOSTON, INC. - 5,465,300 shares July 11
HOUSE OF FABRICS, INC. - 5,972,762 shares July 31
E.F. HUTTON & CO. INC. - 5,327,141 shares July 18
LENNAR CORPORATION - 3,871,511 shares July 27
NUCOR CORPORATION - 2,183,857 shares July 12
OHIO POWER CO. 7.60% pfd - 350,000 shares
RICHMOND CORPORATION - 6,943,313 shares July 17
SEALED POWER CORP. - 3,126,563 shares Aug. 2
SOUTHEAST BANKING CORP. - 8,196,230 shares Aug. 7
SOUTHERN NEW ENGLAND TELEPHONE - 9,996,293 shares Aug. 1

Listings Pending

AVIS, INC. - 6,250,000 shares
CAVANAGH COMMUNITIES CORP. - 8,231,167 shares
FRANKLIN MINT CORP. - 4,282,762 shares
GLEASON WORKS - 4,077,500 shares
METROPOLITAN EDISON CO. 7.68% pfd - 350,000 shares
PAMIDA, INC. - 9,499,916 shares
THE SOUTHLAND CORP. - 16,468,676 shares
SUAVE SHOE CORP. - 3,281,807 shares
SUTRO MORTGAGE INVESTMENT TRUST - 4,44,148 (sbi)
WAL-MART STORES, INC. - 6,490,000 shares

American Stock Exchange

Applications Approved

AMERICAN METAL CLIMAX - 761,666 warrants
BUILDEX INCORPORATED - 400,000 shares July 14
MITCHELL ENERGY & DEVELOPMENT CORP. - 4,567,716 shares
JOHN ROBERTS INC. - 543,369 shares
KINGSTIP, INC. - 1,153,588 shares July 11
ORIOLE HOMES CORP. - 950,000 shares July 5
PIC'N PAY STORES INC. - 3,000,000 shares July 10
SHULMAN TRANSPORT ENTERPRISE - 1,175,000 shares July 7
SPEIZMAN INDUSTRIES - 1,890,000 July 6
TIDWELL INDUSTRIES, INC. - 1,689,333 shares July 10
TUFTCO CORP. - 2,407,500 shares July 13

Applications Pending

CIC CORPORATION - 250,000 shares
CSE CORP. - 1,132,182 shares
CHICKEN UNLIMITED ENTERPRISES - 1,286,249 shares
GOLDEN CYCLE CORP. - 1,482,047 shares
ICB CORP. - 627,123 shares
LUBY CORPORATION - 695,500 shares
MERIDIAN INDUSTRIES - 200,000 shares
MOAMCO CORP. - 801,756 shares
TDA INDUSTRIES INC. - 4,011,257 shares
STATE SAVINGS & LOAN ASS'N. - 1,219,250 shares
WOODS INDUSTRIES - 30,432 shares

ISSUES REMOVED FROM ASE TRADING

ANGELICA CORP. - com Transferred to NYSE July 10
GLUCKIN (WM) CO. - Common suspended July 7
BECO INDUSTRIES CORP. - Common removed July 10
FEDERATED PURCHASER - Common removed July 10
NUCOR CORPORATION - com Transferred to NYSE July 12
SINCLAIR VENEZUELAN OIL - Suspended July 7

PHILA-BALT-WASH STOCK EXCHANGE LISTING APPROVED

RONSON CORPORATION - (RON) June 28

PACIFIC COAST STOCK EXCHANGE LISTING APPROVED

AMERICAN METAL CLIMAX, INC. - $5 conv pfd (AMXpr) July 10

National Stock Exchange

BUN'BURGER INTERNATIONAL, INC. -879,100 common
HEALTH DELIVERY SYSTEMS, INC. -380,000 common

ADMITTED TO LISTING

WESTON INTERNATIONAL CORP. -806,370 common June 20
DYNAMICS CLASSICS, LTD. -752,500 common July 7

Mutual Funds

By JOSEPH C. POTTER

The Giant: Still Growing and Earning

Investors Stock Fund, Inc., is one of the giant mutual funds of Investors Diversified Services. Net assets of this "growth-income" fund, at latest report, totaled $2.7 billion, hence its fortunes and its feelings are of considerable concern to the entire investment community.

Reporting for the six months ended April 30, Investors Stock Fund told shareholders that net asset value of the shares rose by 15 per cent to $21.51. "In addition," Hamer H. Budge, President, said: "Stock Fund provided income to its shareholders by distributing approximately $30.8 million in dividends, amounting to 24.5 cents per share. . ."

The fund, at the close of the period, listed common and convertible preferred stocks (95.9 per cent of portfolio) with a market value of $2,610,930,716, for which it had paid $2,147,941,017.

As for the fund's feelings, Mr. Budge said: "Despite some uncertainties, the long-term economic outlook appears increasingly brighter. Corporate earnings continue to improve. Disposable income is high. The volume of retail trade is well ahead of corresponding months in 1971. Housing is brisk. Unemployment is still a problem but the actual number of gainfully employed persons is at a record level."

"Moreover, recent surveys indicate corporations are investing and plan to invest substantially more money in new plants and equipment than in 1971. All of this suggests that an economic environment favorable to equity investment is a reasonable assumption for 1972 and on into 1973."

Business Equipment Top Group

Leading category of Investors Stock Fund is Business Equipment (9.8 per cent) with major emphasis on International Business Machines. Second largest grouping is Oil & Gas (9.2 per cent), starring Standard of Jersey, although the other "majors" are not neglected. Insurance (6.6 per cent) follows, with Continental favored in the fire-&-casualty department and Travelers the leading holding in "life". Retail Trade (6.4 per cent) is next, involving a dozen holdings, topped by Broadway Hale.

During the latest six-month period, the fund has been making new commitments in such varied issues as American Cyanamid, Morton Norwich Products, RCA (500,000 shares) and Texas Gas Transmission. During the period, Investors Stock Fund added 400,000 shares of General Motors to boost shares owned to a whopping 1,200,000.

Other increases were: Atlantic Richfield, Phillips Petroleum, Standard of Jersey, and Travelers and Connecticut General Insurance. Also, Deere, Firestone, Hoover, Eli Lilly, Loews, Reynolds Industries, St. Regis Paper, Union Camp, Warner Lambert and Weyerhaeuser.

Meanwhile, Investors Stock Fund dumped such issues as Airco, Upjohn, TWA, American General Insurance, Cincinnati Gas & Electric, Cleveland Electric, Columbia Gas, Illinois Power and Control Data, R. R. Donnelly, Gillette, Grand Union, Johns Manville, Mohawk Data Sciences, Royal Dutch Petroleum and J. P. Stevens.

Holdings trimmed were: American Telephone & Telegraph, Bankers Trust, Eastman Kodak (regretfully), General Electric, Georgia Pacific, Gulf Oil, Marion Laboratories, Northwest Airlines, Sundstrand and Xerox.

Mr. Budge said his fund "began re-establishing positions in selected growth stocks and will continue to do so when opportunity arises, thus bringing it back to a minimum cash position."

CORPORATE FINANCING

By BRUCE WHITING

A Hectic Week and a Likely Hectic Second Half 1972

It was back to hectic work this post-July 4 week for the people of the bond community. Neither, the drama in Miami or anything else including Bobby Fischer's challenge in Reykjavik could distract the underwriters and traders. It was one of those good and bad news weeks. First, the underwriters had to clean up the debris that was still cluttering up the market. This happened to be the $75 million AA Georgia Powers which came to market at a 7.52 per cent yield on June 27th. After being released from syndicate, they finally found their level Tuesday afternoon at the 7.58 per cent level.

Tuesday was one of the busiest days in recent corporate history with 8 deals divided into bonds, preferred, convertibles and rail equipments. The issues were heavily weighted on the negotiated side with six being underwritten that way. The big issues of the day were the Ford Motor Company and the Ford Motor Credit Company. Both deals were handled by a group managed by Goldman Sachs & Co. The parent company sold $100 million of notes due in 1979 with a 6 ½ per cent coupon and priced at 100.45, which translates to a 6.42 per cent yield. These notes were rated AAA. The Credit Company sold $175 million 4 ⅞ per cent convertible subordinated debentures at 100 with a $69.30 conversion. Fitch rated these convertibles A while Standard & Poor's rated them BBB.

There was mixed reaction to how the latter deal fared. The Managers said that it was moving out well but checking with buyers and dealers in the street, it soon became apparent that many were most disappointed with the coupon. They did not think that 4 ⅞ per cent was enough. Most ideas were over 5 per cent.

There was no doubt that investors were waiting for the $40 million Northern Illinois Gas Company which was AAA by Fitch and double A by Moody's and S&P. Halsey Stuart & Co., Inc., The First Boston Corporation, Lehman Brothers and Salomon Brothers led the winning group with a bid of 99.646 for a 7 ¾ per cent coupon. They reoffered the bonds at 100.277 which works out to a 7.60 per cent yield. It seemed that the investors agreed with the Fitch rating and bought the bonds at the AA price.

In the only other competitive issue of the day, Salomon Brothers showed its clout in the rail equipment trust area by buying still another deal the $10,650,000 Norfolk & Western Railroad equipment trust certificates which are rated AA. They placed a 7 per cent coupon on the certificates and priced them at yields ranging from 5.25 per cent in 1973 to 7.00 in 1987.

In the list of negotiated issues we had the Commerical Credit Company selling $75 million notes due in 1979. Standard & Poor's rated the notes A. The Managers for this issue were White Weld & Co. and Kidder Peabody & Co. They priced the notes at 99 ½ for a 6 ⅞ per cent coupon which is a 6.97 per cent yield. On the bond side Kidder Peabody & Co. negotiated a $25 million A rated Central Main Power Company die in 1997. They priced the bonds at 100 for a 7.70 per cent coupon.

To complete a well rounded day, we also had two preferred issues both negotiated deals. The largest was the 500,000 shares of Nevada Power Company. The 8 per cent cumulative preferred was offered at $20.25 per share which works out to a 7.90 per cent yield. The Las Vegas-based company was rated BBB by S&P. Drexel Firestone Incorporated and the First Boston Corporation brought 350,000 shares of Pennsylvania Power & Light Company Preference Stock (cumulative) $8.00 dividend which was priced at 100. This issue was rated BBB by Standard & Poor's.

Tuesday was a day that some said was "tops" and others said they were disappointed. The Ford Credit convertible deal was the question mark. If that continues to move, you would have to put the day on the plus side because the Northern Illinois deal was a sellout as was the Nevada preferred deal. Central Maine did about 60 per cent on the first day and the managers were calling it (2/3) sold on Wednesday.

Starting the day on Wednesday was the $100 million Beneficial Corporation which was negotiated by a group led by Eastman Dillon Union Securities Co. Half of this issue were debentures due in 1979, and $50 million were due in 2002. Both Fitch and S&P rated the debentures AA. The short debentures were priced at 100 for a 6 ¾ per cent yield while the long debentures were priced at 99.40 for a 7 ½ per cent coupon which translates to a 7.55 per cent yield.

Week's Top Issue

The big issue of the week was the $125 million Pacific Gas & Electric Company bonds due in 2002. The bonds were AA by both Moody's and Standard & Poor's. This had to be the most important issue of the week because it would indicate whether the market was going to hold firm at the level attained on Tuesday in the Northern Illinois issue. The bonds were won by a group led by The First Boston Corporation, Haley Stuart & Co. Inc. Salomon Brothers, Lehman Brothers and Merrill Lynch Pierce Fenner & Smith.

They bid 99.077 for a 7½ per cent coupon. They priced the bonds at 100. Checking on the progress of the deal late Wednesday afternoon, we found that it was going well.

There were two competitive deals today. One was $25 million New England Power Company bonds due in 2002. Moody's and Fitch called the bonds double A while Standard & Poor's said A. Closing out the week's activities was an issue of 170,000 shares of preferred stock for the Central Illinois Light Company which is rated AA by S&P.

Quarter Billion Bell's Next Week

There is no doubt that the market is being subjected to many pressures from both within and without. In the market itself, the pressures relate to volume. Next week, we have $250 million Southern Bells selling and these Bell deals are always a problem because of the AAA rating that they hold. Each day you see huge deals being announced such as the $200 million GMAC debentures at the end of August. Summing it up, you will find that this summer is no festival for the bond market. It is a time of danger to a certain extent as the buyers persist in their almost fixed view that inflation is a sure bet.

As the Democratic Convention wended its way through its stormy and all night sessions not too many were worrying about George Mc Govern and what he might do to the economy, Most of the financial community had written him off because of the divisions that have been brought about in the party especially as regards to the professionals. He certainly does not look as "dangerous" now as he did several weeks ago. He has hewed to one political adage of making accommodations when he thinks that he needs a change. His "underdog" race will keep the incumbents on their toes even though they might be outwardly confident. I still do not think that the campaign will have too much effect on the markets unless Senator Mc Govern starts to look strong in the latter months **via** the polls, ets.

Peace could be crucial to the Bond Market and other markets as well as the campaign. Mr. Nixon is hoping to bring off a peace pact at the "right" time. This could also have the effect of holding off any big climb in interest rates because of the anti-inflationary aspect of a peace in Vietnam. Aside from the prospects for Peace, you would have to expect a climb in rates. This is why the latter half of 1972 could be one of the most interesting periods we have ever seen.

Jenkins Incorporates

LUBBOCK, TEX. — W. L. Jenkins & Co., 33 Briercroft Office Park, has become a corporation. Officers are William L. Jenkins (formerly sole proprietor), president; Walter H. Cowart, vice president; and Valdene Hamilton, secretary-treasurer.

Exchange Controls Stiffen, U.S. Restraints Steady

By EDWARD L. FISHER

An Up to Date Primer On Controls, Here and Abroad

In the wake of Great Britain's decision to float the pound almost three weeks ago, there has surfaced a growing trend of tighter controls by many major nations, over the international movement of capital.

Although the general feeling is that the immediate impact of these controls will not be too significant, there is an underlying fear that these barriers might be made even tougher.

Already, West German Finance and Economics Minister Karl Schiller has resigned his post as a result of the decision of his fellow cabinet members to impose exchange controls to stem the flow of foreign currencies, mainly dollars, into West Germany. Mr. Schiller had opposed the imposition of controls, favoring instead the maintenance of free markets even if this meant allowing the DM to float up — at the expense of German exports — hardly politically popular.

(Earlier this week, Helmut Schmidt was named to succeed Mr. Schiller, by Chancellor Willy Brandt. Mr. Schmidt was formerly the West German Defense Minister, and it is expected that he will effect no new shift in the country's monetary policy. Chancellor Brandt also hinted that Mr. Schmidt would relinquish his position after the Fall elections, when he will again become Social Democratic party leader, a post he held from 1967 to 1969.)

The recent flurry of controls is being viewed by many foreign exchange dealers as evidence that European governments will be defending their existing parities, and as a result, will not be floating their currencies higher to avoid taking in surplus dollars.

German, Swiss Controls

To date, the two countries which have gone the farthest in imposing foreign exchange controls, are West Germany and Switzerland.

In West Germany, the government has made it tougher for West German companies to borrow abroad. Those firms borrowing abroad must put up a large cash reserve to equalize rates between the Eurodollar market and the West German domestic market. Reports indicate that this measure has effectively frozen $2.5 billion in the banking system.

In addition, the government has made it practically impossible for foreigners to borrow in West Germany, by barring the sale of all West German debt paper to nonresidents.

A related move by the West German central bank now requires West German banks to furnish statistics on a regular basis on the activity of their foreign branches. This move suggests that such information might be used in any further extension of exchange controls.

Swiss Stock Market Hit

Switzerland has come up with the toughest set of controls yet. First, the Swiss banned the purchase, with foreign funds, of Swiss securities and real estate. The Swiss stock market dropped sharply because of this act. Then on July 4, the government imposed a 2 per cent quarterly tax (8 per cent annually), on all foreign funds deposited in Swiss franc accounts after Friday, June 30. Also, a ban was placed on the payment of interest on foreign funds similarly deposited in Swiss banks after July 31, 1971, except for savings and similar accounts not exceeding 50,000 francs ($13,600) for a depositor.

According to Swiss officials, the 2 per cent tax will be payable on the foreign funds as soon as they arrive in Switzerland.

Another measure instituted by the Swiss government requires all Swiss banks with assets of at least 20 million Swiss francs to hand into the central bank up to 90 per cent of the increase of their foreign liabilities since last July 31.

The effect of this measure is that banks will not be able to earn interest on this frozen money, which acts as a deterrent to their willingness to accept it.

Another move, designed to reduce speculation, demands that a bank must not owe more foreign currencies than it has on hand at the end of each trading day. In addition, all foreign borrowing by Swiss companies and residents must now have central bank approval.

In Japan, minimum reserve requirements on yen deposits that have been converted from dollars and are held by foreign nonresidents, were doubled from 25 per cent to 50 per cent.

U.S. Restraints

In addition to the exchange controls being implemented by foreign countries, it must be remembered that the United States also has devised programs aimed at restraining capital outflows from this country. The three major programs are the Interest Equalization Tax (established by the Treasury), the Foreign Direct Investment Program (administered by the Commerce Department), and the Foreign Credit Restraint Program (sponsored by the Federal Reserve).

The Interest Equalization Tax was created nine years ago, in July, 1963, as a supposedly temporary measure to help support the U.S.' balance of payments position. By removing the incentives for buying foreign securities, it was hoped that the tax would neutralize the investment outflow of capital from this country.

How IET Works

For foreign common stocks acquired by U.S. residents or citizens, the IET currently stands at 11¼ per cent, while for the purchase of bonds and other securities, the tax rate is on a sliding scale, depending on the issue's maturity.

The way the tax works is that, if, for example, the interest rate on a foreign security (other than a common stock) is 5 per cent, while the rate on a U.S. security is 4 per cent, the IET on that foreign security would be the 1 per cent difference between the two interest rates.

The Foreign Direct Investment Regulations were issued by the Commerce Department on January 1, 1968. According to Donald F. Heatherington, Assistant Director of the Office of Foreign Direct Investments, the regulations **do not** (he said) constitute "a foreign exchange control program within the usual meaning of the term, nor is it a program to prevent investment. It is designed to shift the financing of direct investment in excess of the pre-determined ceilings to offshore capital markets."

Generally, the regulations assist the U.S. balance of payments position, by imposing certain restraints on investment in "affiliated foreign nationals" by U.S. "direct investors."

Where is it Made?

A major aspect of the regulations is that the limits on investments depend on where the investment is being made. Foreign countries are divided, for purposes of the regulations, into three scheduled areas: Schedule A — the less developed countries; Schedule B — several industrialized or partially industrialized countries, such as the United Kingdom, Australia, New Zealand, Ireland, Spain, Japan, and certain oil producing nations; and Schedule C — the rest of the world, primarily the industrialized countries of

Continued on Page 22

PUBLIC UTILITY SECURITIES

By JOSEPH K. COSITORE

Delmarva Power & Light Company

Delmarva Power & Light Company, directly and through its subsidiaries, serves substantially the entire Delmarva Peninsula with electricity, comprising a territory of approximately 5,700 square miles with a population of about 800,000. The Company's gas operations consist of the distribution of natural gas to a population of about 380,000 in the metropolitan Wilmington area in northern Delaware. Also, Delmarva owns and operates a generating station at Delaware City south of Wilmington which is used to furnish electricity and steam to Getty Oil Company's refinery, and electricity for system use.

Of total revenues for the twelve months ended May, 31, 1972, 82 per cent was derived from electric service, 14 per cent from gas and 4 per cent from the refinery service to Getty Oil Company. Of total electric revenues, approximately 75 per cent was received from customers in Delaware. The Company's electric operations showed excellent growth for the five-year period 1967 through 1971. Electric sales had an annual increase of 9.6 per cent and management expects sales to increase at an annual rate of 8.5 per cent from 1972 through 1976.

Power & Gas Supply

Delmarva's total plant capacity at the present time is 1,418,000 kilowatts of which 1,368,000 kilowatts are devoted to the Company's regular electric operations. The system peak (excluding the refinery load) was 1,090,000 kilowatts, an increase of 8.6 per cent over the previous year's peak. The Company is currently constructing a wholly-owned 400,000 kilowatt oil-fuel unit at its Edgemore Station for completion in 1973. One-half of the capacity of this unit will be leased to the Philadelphia Electric Company until 1975. In addition, Delmarva's share in two nuclear plants will provide 80,000 kilowatts in 1973; 160,000 kilowatts in 1974 and 80,000 kilowatts in 1975. Delmarva has recently made commitments for the construction of a gas-cooled nuclear reactor generating station to be comprised of two 770,000 kilowatt units scheduled for completion in 1979 and 1982. Philadelphia Electric will participate in the ownership of the nuclear plant to the extent of at least 160,000 kilowatts. At the present time, Delmarva is considering the possibility of organizing a new subsidiary to own and operate this plant. As a result of construction delays, the Company's electric reserve is estimated to be only 5 per cent for the summer of 1972, and about 11 per cent for the summer of 1973. Delmarva Power & Light is a member of the PJM pool and it is currently expected that the total PJM reserves will amount to 20 per cent this summer and 19 per cent next summer.

The Company's entire natural gas supply is furnished by Transcontinental Gas Pipeline Corporation with whom they have contracts for 54,800 mcf per day of firm gas and an additional 34,064 mcf per day of storage and peaking gas during the winter months. The Company's LP gas capacity for peaking and firming is approximately 36,000 mcf per day. The peak gas sendout occurred on February 1, 1971 with a total sendout of 99,973 mcf. Due to warmer weather conditions during the past winter, the peak was somewhat less than that for the winter of 1970-71, and amounted to 97,152 mcf on January 16, 1972. Transco has advised the Company that its contract supply may be reduced 5 per cent - 14 per cent during the twelve months beginning April 1, 1972. As a result, the Delaware Commission has prohibited the Company from adding any new customers or providing additional quantities of gas to existing customers. In addition, deliveries of firm gas to certain industrial customers may be reduced.

Construction and Financing

Delmarva Power expects to spend $118.6 million this year on construction and $89.5 million in 1973. The Company will offer $30 million of bonds in August of this year and is considering a one-for-ten common stock offering in the fall. Delmarva plans to raise $73 million of its 1973 cash needs through financing, including $65 million in bonds and $8 million in short-term debt.

Rate Relief

At the present time, the Company has two pending requests for rate increases on file with the Maryland and Virginia Commissions. In the case of the Maryland Commission, Delmarva has requested a 12.3 per cent increase in retail rates, or a total increase of approximately $2.5 million based on the test year 1971. The Company is requesting an 8.8 per cent rate of return on year end original cost rate base. The increases were suspended by the Commission to September 12, 1972, and the increases can be suspended by the Commission for an additional thirty days. In the Virginia case, the increases requested amounted to 16.2 per cent, or approximately $560.000.

The Company is requesting an 8.4 per cent return on year end original cost rate base. This increase was filed on June 1, and although no suspension order has as yet been received, it is anticipated that the increase will be suspended. At the present time, the Company is preparing to file with the Federal Power Commission for further increase in its wholesale rates. It is anticipated such filing will be made about September 1.

Earnings through May, 1972

For the twelve months ended May 31, 1972, total revenues amounted to approximately $141.5 million, an increase of 21 per cent over the prior twelve months.

Electric sales for the twelve months ending May 31, 1972 were up 7.8 per cent over the prior twelve months, and gas sales were off 6.1 per cent. The relatively small increase in electric sales resulted from the warmer weather during the past winter as compared to the prior period. The reduction of gas sales reflects curtailments of gas by Transco as well as the warmer weather during the past heating season. Total electric revenues increased 24.9 per cent over the prior period. Such revenues are somewhat distorted by the imposition of a 5 per cent Delaware utility tax on sales, which began August 1, 1971, and which amounted to about $3 million during the twelve months ending May 31, 1972. This tax is collected from customers and paid over to the State, and has no effect on the net income of the Company.

Excluding the tax, electric revenues increased 21.6 per cent. In spite of the reduced sales, gas revenues, excluding the Delaware utility tax, increased 1.4 per cent. Earnings for the common stock amounted to about $18.2 million, an increase of 21.3 per cent over the prior period. Earnings per share were $1.62 compared to $1.46 for the prior twelve months.

If the increases in electric rates, which have been approved by the various commissions had been in effect for the entire twelve months' period, revenues would have been increased by approximately $5.1 million, or an amount after taxes equivalent to 22 cents per share.

$100-Million Beneficial Debentures Offered

Eastman Dillon, Union Securities & Co., Incorporated, led underwriting group publicly offered $100-million Beneficial Corporation debentures.

The financing consisted of $75-million 7½ per cent debentures due July 15, 2002, priced at 99.40 per cent to yield 7.55 per cent and $25-million 6¾ per cent debentures due July 15, 1979, offered at 100 per cent.

Net proceeds from the financing will be added to the company's general funds and used to reduce outstanding short-term bank loans and commercial paper of the company and its consolidated subsidiaries.

Debentures due July 15, 2002 are protected against call until July 15, 1982, except that in the event of specified declines in the company's outstanding receivables they may be redeemed on and after July 15, 1977. The debentures due 1979 are not redeemable prior to maturity.

Redemption prices of the 2002 debentures will range from 102.60 per cent beginning on July 15, 1982 and declining annually thereafter to par on and after July 15, 1993, plus accrued interest. Under conditions of declining receivables, the 2002 debentures will be redeemable at special prices starting at 101.80 per cent on July 15, 1977 and receding each year thereafter to par on and after July 15, 1981, plus accrued interest.

Beneficial Corporation is a holding company. Its subsidiaries are engaged principally in the consumer loan, sales finance and related creditor insurance businesses and in the merchandising business. Executive offices are in Wilmington, Del.

Wsol V.P. of Selected Fin.

CHICAGO, ILL. — Selected Financial Distributors, 135 South La Salle Street, has appointed John J. Wsol, Jr. as Vice President, according to an announcement by Robert H. Brown, Jr., President. Mr. Wsol joined the Selected Funds in 1968 specializing in the Pension and Profit Sharing field.

Clark Dodge Branch

ATLANTA, GA. — Clark, Dodge & Co. Incorporated has opened a branch office at 2 Peachtree Street under the management of Mr. Robert M. Varn.

Exchange Controls Stiffen, U.S. Restraints Steady

Continued from Page 21

Western Europe and South Africa.

Investments in Canada are not restricted by the regulations, but reports must be filed with the Office of Direct Foreign Investments. Also, banks or other financial institutions coming under the Foreign Credit Restraint Program administered by the Federal Reserve, are not subject to the rules.

There are two "minimum" allowables from which a direct investor may choose. Under one, there may be a worldwide positive direct investment of not more than $2 million each year. The other alternative is a $2 million per year worldwide plus an additional $4 million a year that can be invested only in Schedule A countries.

There are also two other "allowables" — the "historical" or the "earnings" allowables, both based on a percentage of the investor's previous investments in the particular Schedule areas.

A further measure of flexibility afforded direct investors has been through the use of proceeds of "long-term foreign borrowing." In addition, there are provisions by which investors may seek relief from restraints imposed by the regulations by applying to the OFDI for specific authorizations.

The Voluntary Foreign Credit Restraint (VFCR) Guidelines have been administered by the Federal Reserve since early 1965. This program also has as its purpose the protection of the U.S.' balance of payments, by limiting capital outflows by banks and non-banks financial institutions such as insurance companies and mutual funds.

Loan Ceilings

The basic provisions of the VFCR establish ceilings for loans made abroad. The first of these is the Export Term-Loan Ceiling, exclusively for loans of more than one year, that finance U.S. export goods. There is also a separate General Ceiling that is available for loans of any type and of any maturity.

According to 1971 revisions in the guidelines, the General Ceiling is equal to the bank's adjusted ceiling as of November 30, 1969, as further adjusted under guidelines issued subsequent to that date. Also, the Export Term-Loan Ceiling is now equal to 0.5 per cent of the bank's total assets as of December 31, 1968.

Other revisions call for the exclusion from the guidelines of bonds and notes of international institutions — such as the International Bank for Reconstruction and Development, the Inter-American Development Bank, and the Asian Development Bank — of which the U.S. is a member. This gives banks under the program an exclusion that already applies to nonbank financial institutions.

The new guidelines also exempt export credits from a subceiling that limits short-term credits to residents of developed countries of continental Western Europe. However, these short-term export credits must still be reported under the banks' general ceiling.

The U.S.' short-lived 10 per cent import surcharge, implemented on August 15, 1971 and lifted on December 20 of that year, was another effort at control. The net effect of these massive controls — both foreign and domestic — is as yet unknown. According to many foreign exchange officials, however, this new trend is definitely hindering the one result they all want — economic unity.

Despite our threshold-crossing into controls, our BOP deficit has driven the Free World into taking on controls out of self-defense against the devaluation-prone dollar — a threat to its exports to the USA. This festering disease was not solved by the Smithsonian Agreement.

New Hutton Branch

CLEVELAND, OHIO — E. F. Hutton & Company Inc. has opened a branch office at 1803 East 12th Street under the management of George M. Yaneff.

Opens New Branch

INDIANA, PA. — Moore, Leonard & Lynch, Incorporated, has opened a branch office at 10 North Carpenter Avenue under the management of Paul A. Benko.

New Issue Prices

THE CHRONICLE has computed the following list of most companies, excluding "Reg. A" underwritings that have gone public since March 1, 1972. Data includes offering price and July 12, 1972 opening price.

EDITOR'S NOTE: We list at the beginning those issues previously not shown in the tabulation.

	Offering Dated	Offering Price	July 12 Bid Price
Beacon Photo Service, Inc.	July 11	16	a....
Legg, Mason & Co., Inc., 375,000 shs.			
Bell (W.) & Co., Inc.	July 11	12¾	a....
Thomson & McKinnon Auchincloss Inc., 225,000 shs.			
Brother International Corp.	July 6	14	11½
Van Alstyne, Noel & Co., 285,000 shs.			
Champion, Inc.	June 30	6	6¼
Shoenberg, Hieber Inc., 100,000 shs.			
Cheezem Development Corp	July 6	10	6½
Katz, Needelman & Co., Inc., 240,000 shs.			
East/West Medical Products, Inc.	June 29	10	15
Morgenstern, Levin, Weissman, Inc., 200,000 shs.			
Hechinger Co	July 6	16	15¾
Johnston, Lemon & Co., 400,000 shs.			
Lexitron Corp	July 6	10	10
C.E. Unterberg, Towbin Co., 330,000 shs.			
Xomox Corp	July 11	16½	16¼
White, Weld & Co. Inc., 500,000 shs.			

	Offering Dated	Offering Price	July 12 Bid Price
AVX Ceramics Corp	Jun 29	10½	11⅛
Albany International Corp	Jun 13	39½	31½
American Arts & Crafts, Inc	Jun 22	10¼	15
American Filtrona Corp	Jun 14	12¼	11⅞
American Health Foods Inc	Mar 7	5½	4⅞
American LaFrance, Inc.	Jun 7	18½	11¼
American Reserve Corp	May 2	41¾	44¼
American Thermal Resources, Inc.	Apr 12	1	1¼
Anaren Microwave, Inc.	May 1	7	12½
Analogic Corp	June 20	15	10
Appalachian Resources Co. units	Mar 28	5	2½
Archon Pure Products Corp	Apr 27	15	13¾
Arnex Industries Corp.	May 26	5	7½
Arpeja-California, Inc.	Jun 22	11½	7⅞
Arrow Automotive Industries, Inc	Mar 28	17	25⅞
Artistic Greetings Inc	May 26	8½	5⅞
Astronics Corp	Apr 19	5¼	1⅞
Atlantic Pepsi-Cola Bottling Co., Inc.	June 13	25	34⅛
Automated Technology Corp. (units)	Jun 22	15	22½
Avis, Inc.	Jun 21	38	42¼
Barr Labs., Inc.	May 30	5	3⅞
Barry's Jewelers, Inc	May 22	5	9¾
Beck/Arnley Corp	Apr 13	12½	17¾
Benham-Blair Affiliates, Inc	May 16	14	8½
Bentley Laboratories, Inc.	Apr 25	22¼	44
Billy the Kid, Inc.	Jun 22	12¼	16½
Biological Preservation	Mar 10	6	1½
Brand Insulations, Inc.	Apr 18	11	13⅝
Brass-Craft Manufacturing Co.	Apr 27	26½	38¼
Bravo Knits, Inc.	Mar 22	10	5¾
Bristol Products	Mar 24	15½	13½
Buildex Inc units	Mar 2	13½	13⅛
CBM, Inc.	Mar 27	2½	4
C.I. Realty Investors units	Apr 13	25	21
CP Products Corp	Mar 16	15	26
CSM Medical Devices, Inc.	Apr 21	5	7½
Cabana Coach Corp	Jun 6	8	14
Caltran Systems, Inc.	Apr 21	8	6¾
Cannon Group	Feb 15	4	1⅝
Carbon Fuel Co	Mar 16	17½	11⅞
Cassette Sciences	Mar 24	10	12¼
Castle Industries Inc units	Mar 7	5½	9⅛
Centennial Corp	May 12	39	71
Centran Bancshares Corp	Mar 28	26⁵	26⅛
Cerebronics, Inc.	Apr 28	4½	4⅛
Chef Pierre, Inc	Apr 18	18¾	29
Circle F Industries, Inc.	Apr 13	12¾	10
Coachmen Industries, Inc.	Mar 28	35	31
Coca-Cola Bottling Co. of the Mid Carolinas	May 9	25	30
College-Town, Inc.	Apr 26	15	9⅛
Compac Corp	Mar 16	10	4⅝
Comcast Corp	Jun 29	7	8¾
Computer Design	Mar 1	16	18
Computer Horizons	Mar 21	3	2½
Comtech Laboratories Inc	Mar 17	5	10¾
Consumers Building Marts, Inc	Jun 28	9¼	6½
Cook-Treadwell & Harry Inc.	Jun 28	9	7⅜
Covington Brothers	May 18	13	13¼
Crown America, Inc	Jun 27	15	13½
Datascope Corp	Apr 18	19	35½
Data-Flex Systems	Mar 29	10	5⅜
Davis Water & Waste Indust. Inc	Apr 4	18	22¼
Decision Data Computer Corp	Apr 27	14½	28
Dentalloy, Inc.	Apr 12	5	7¼
Devcon International Corp	Mar 1	14½	13
Diamond Coal Co (units)	Mar 15	10	7¾
Dick (A.B.) Co	May 9	27	33½
Digital Paging Systems, Inc.	May 17	11	7½
Doe Spun Inc.	Apr 20	7	11⅛
Doughties Foods	Mar 9	8	10¼
Duckwall Stores	May 17	15¼	15⅜
Durr-Fillauer Medical, Inc	May 10	15	19¼
Empire Fire & Marine Insurance Co	May 31	16	15½
Empress International, Ltd	May 3	14½	8¾
Environmental Recreation Systems Inc	Jun 29	3	a....
Equitable Life Insurance Co. of Iowa	Apr 18	24	23
Erb Lumber Co	Mar 28	16	14¼
Etz Lavud Ltd	Apr 12	8	6⅛
Europix International Ltd	Apr 17	3¾	4
Federated Income & Private Placement Fund	Mar 9	12	12
Feldman, Salkin, Welch & Winer, Inc.	May 19	4	1½
Financial Security Group, Inc.	May 4	16½	13
First of Michigan Corp	Jun 14	15½	15½
First Foto Inc	May 30	5	3
First Virginia Mortgage & Real Estate Investment Trust (units)	May 18	25	21⅞
First United Financial Corp	Apr 5	14¾	12
Flatley Realty Investors (units)	May 23	10	9½
Florida Mining & Materials Corp	Jun 28	17	19½
Franzia Brothers Winery	Apr 18	18½	28⅛
Frederick's of Hollywood, Inc.	Apr 11	11	15⅝
Funding Systems	Mar 15	15	12
General Ohio Savings & Loan	May 24	12	10¾
Gibson-Homans	May 11	9	13
Gil-Bern Industries, Inc.	Jun 13	11½	8⅛
Glover, Inc.	Mar 9	12¾	9¾
Golden State Foods	Mar 1	13	32½
Graves Truck Line Inc	Mar 14	16	16¾
Gregg's Food Products, Inc.	May 17	7	7
Grist Mill Co	May 15	5	3¾
Groff Industries, Inc	Jun 27	8	7¾
Gulf Republic Financial Corp	May 23	22¾	15
Hamilton Brothers Exploration Co units	Mar 2	25	18¾
Harley Corp	Apr 12	16	14¼
Harte-Hanks Newspapers, Inc	Mar 7	21	31¼
Hartz Mountain Pet Foods, Inc	Apr 13	22¾	34⅝
Harvest Farms	Mar 29	5	6⅝
Health Delivery Systems, Inc	Apr 14	5	7½
Health Insurance of Vermont Inc	Apr 19	5	4⅛
Hospitality Motor Inns, Inc.	May 2	34	37¾
Hosposable Products, Inc.	May 9	6	7½
Hutton (E.F.) & Co.	Apr 25	23½	19⅜
IPS Computer Marketing Corp	Jun 6	5	3½
I.M.S. International, Inc.	Jun 27	25	29⅜
Imodco, Inc units	May 3	6¾	12½
Indiana Group	Mar 21	28	27⅜
Indiana Mortgage & Realty Investors (units)	Jun 29	20	20¾
Information Magnetics Corp.	Mar 23	5½	4⅜
Ireland's Restaurants, Inc.	Jun 28	8	12⅝
Ivy Corp	Jun 1	13½	12
Jetero Corp	Jun 8	13	10¾
Judy's Inc	Jun 29	12½	11
Kennington, Ltd.	Apr 27	14½	13½
Kinder-Care Learning Centers Inc. (units)	Jun 7	5	5¾
King Juices, Inc	May 8	5	4¼
Knogo Corp	Mar 2	7	12
Kooly Kupp, Inc	Mar 28	10	3¼
Krueger (W.A.) Co	May 3	18½	17
LCI Industries, Inc.	Apr 18	5	4
Laneco, Inc.	Apr 13	11½	8
Leisure Concepts, Inc	Jun 27	6	7⅛
Leonard Silver International	Mar 16	9	15¼
Life Support Medical Equipment Corp	Apr 24	5	4
Lil' Champ Food Stores, Inc	Mar 28	5	9½
Lippincott (J.B.) Co	May 23	14	8¾
Lloyd's Electronics	May 17	22	21⅞
Logos Development Corp	May 24	10	20½
Lyle Stuart, Inc. (units)	Apr 21	9	7
MCI Communications Corp	Jun 22	10	8⅞
Maple Press Co	Mar 28	15	10¾
Maudie's Flea Market Ltd	Jun 26	2	1⅞
McDonald Micradata Services, Inc	Mar 28	1½	1½
McDowell Enterprises, Inc	Jun 6	15	14⅞
Measurex Corp	Mar 28	20	30⅜
Medallion Leisure	May 17	12	8½
Medline Industries, Inc	Jun 29	13	19¾
Metropolitan Maintenance Co	Apr 11	7⅝	5⅝
Micro-Therapeutics, Inc	Jun 23	22	21½
Mid-America Industries, Inc.	June 8	23	26¼
Midland Glass Co.	Mar 16	10¾	10½
Mobile America	Mar 8	15	49
Moduline International, Inc.	June 8	15	19⅜
Mostek Corp	Jun 6	15	25⅞
Motion Indus.	Mar 30	12½	19
Motor Club of America Insurance Co	Jun 22	15	15⅜
Mountain States Financial Corp	May 31	12½	9⅞
Munro Games, Inc	Apr 27	10½	9½
Mrs. Smith's Pie Co	May 24	20	17⅞
Murphy Motor Freight Lines, Inc.	Jun 14	13½	9
Napco Security Systems Inc	May 2	7¼	9¾
National Convenience Stores	Mar 15	17	24⅜
National Distributing Co., Inc.	Jun 20	15¾	15⅛
National Information Services, Inc.	Apr 28	2½	2⅝
Naum Bros., Inc	Mar 29	8¾	9½
Nautiloid Corp	Mar 1	6	8
Needham, Harper & Steers, Inc	Apr 13	23	31½
Nelson (L.B.) Corp	Jun 22	15	10
New Brunswick Scientific Co	Mar 14	7½	9⅞
Newell Cos., Inc.	Apr 12	28	32
Ocean Fisheries	Apr 5	10	13¾
Odyssey Inc	Apr 27	13½	13¾
Oliphant (Jas. H.) & Co.	Jun 14	10	8¼
Onan Corp	Mar 23	19	32½
Opcoa, Inc.	Apr 25	8¼	10
Optel Corp	Jun 21	12	14
Originit Fabrics	Apr 27	6	5⅝
P.A. & S. Small	May 17	15	11¾
Pacemaster Inc.	Apr. 26	5	5¾
Pacesetter Building Systems Inc	Apr 5	14½	26¼
Pacific Western Industries, Inc.	May 31	6	5⅜
Palmer Bank	Jun 14	30	35¼
Penn Yan Express, Inc. Class A com	Jun 20	10	8½
Penril Data Communications	Mar 16	6¼	7¼
Phoenix Candy Co.	Apr 20	4¼	5⅝
Pic 'N' Save Corp	Apr 13	14½	21¼
Piece Goods Shops	Apr 26	13½	10
Plus Products	May 16	20	15⅛
Power Conversion, Inc	Apr 3	5	42
Power Physics Corp. (units)	May 16	8	4½
Q1 Corp	Jun 30	6	4¾
Queen Casuals	Mar 23	15	11⅝
Radiofone Corp	May 23	5	3¾
Ratner Corp	Apr 6	21	21⅞
Receptors	Apr 12	5	5½
Recreational & Educational Management	May 18	4	2¼
Redfern Foods	Mar 28	9½	7⅜
Refrigerated Transport Co., Inc	Jun 22	13½	19½
REIT Income Fund	Jun 8	10	9¼
Resource Management Corp	Jun 2	8½	5⅜
Ricoh Time Corp	Mar 3	7	6⅛
Reybold Homes	Apr 27	8	7½
Robertson Distribution Systems, Inc.	May 4	20½	22½
Rojean Enterprises, units	Mar 3	4	1½
Rucker Pharmacal	Mar 9	17	30
S.R.C. Laboratories	May 9	5	8¼
Schlang Co Inc	Mar 3	9¾	3¾
Scott-Cord Laboratories	Apr 3	3	2⅜
Selected Professional Agents Coordinating Enterprises Inc	Mar 7	6	6⅛
Shastina Properties	Mar 3	10	8¾
Shirley of Atlanta Inc	Mar 21	12½	9
Simpson Indus	Mar 2	16	21
Slaughter Bros	Mar 7	10½	9¾
Solomon (Sam) Co., Inc.	Jun 21	15	18
Speed Equipment Worlds of America, Inc	Jun 22	5	4½
Stanndco Developers	Mar 2	10	10
State Automotive Distributors	May 17	5½	6¾
Steak & Brew Inc	Apr 25	20	23½
Stewart Information Services Corp	Mar 9	18¾	13
Sue Ann, Inc.	Apr 18	5¾	4⅜
Sullair Corp	Mar 21	15	15½
Supradur Manufacturing	May 4	11	7⅝
System Control Co	Jun 27	4	5¾
Taylor (Jack) Develop Corp	Mar 27	8	10
Techtran Industries, Inc	Apr 18	4	3½
Telco Marketing Services, Inc	Mar 15	21	43
Tenn-Ark Furniture World Corp	Apr 9	12	11
Tidwell Industries	Mar 14	15	23½
Tocom, Inc	Jun 29	10	9⅜
Tomanet Mobile Parks Inc (units)	Apr 20	3	2⅝
Topps Chewing Gum, Inc.	Jun 15	17½	24¾
Triumph American	Apr 28	16	20¼
Tropix Togs, Inc.	June 12	8	11⅞
Twenty First Century Communications, Inc	Mar 9	6	10¼
21C Corp	Jun 20	5	5
Unicom Insurance Corp	Jun 21	14	13¼
Unity Buying Service Co, Inc	Mar 21	16½	25⅝
Universal Mobile Services Corp	Apr 18	10	23¾
University Savings Association	May 6	10	9½
Varisystems Corp	Jun 28	15	10¾
Video Techniques	Apr 6	5	13
Waste Resources Corp	Jun 29	12	10¾
Webster Computer Corp	Apr 27	5	1½
Westons Shoppers City, Inc	Jun 15	10	6⅜
West Knitting Corp	Apr 25	12½	11
Western Marine Electronics	Apr 11	8	7
Worcester Controls Corp	Mar 16	12	11
Writer Corp	Mar 17	14½	16½

*New listed NYSE
+New listed ASE
a-Issue still in syndicate
n-Nominal quotation
x-sold ex-dividend

WASHINGTON AND YOU

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

WASHINGTON, D.C. — For months the Federal Trade Commission, the agency charged with keeping business competition both free and fair, has been inquiring into gasoline price-subsidy and leasing practices. Now the Department of Justice's Anti-Trust Division, is studying practices of major concerns in their competition for business with independent oil companies.

The Anti-Trust Division is responsible for enforcement of the Federal anti-trust laws. Enforcement involves investigating possible anti-trust violation, conduction grand jury proceedings, and preparing and trying anti-trust cases.

Justice's investigation will determine whether the use by major oil companies of so-called "fighting brands" in competition with independents is contrary to anti-trust laws. The issue is whether this practice is legitimate competition. An official of the Department said the practice might violate legal prohibitions against restraint of trade.

When an independent opens a self-service station without repair services and other facilities and is interested almost solely in marketing gasoline, "fighting brands" are frequently sold by major oil companies in competition with him. Major companies create their own high-volume, low-riced stations and sell their gasoline under other brand names at sharply reduced prices.

The Justice Department maintains if this is done to drive an independent out of business, it could be illegal.

Retailers' Gripes

Meantime, the FTC's gasoline marketing investigation, which was directed at the leasing and price-subsidy programs in Colorado, Florida, Micigan, Ohio and Wisconsin, last turned up growing retailer fears about the power of the big oil companies.

The five-member commission has been looking at the complex pricing system used in supplier-owned and joint ownership and operating arrangements and their impact on independent retailers.

A FTC official recently told a House Small Business subcommittee that dealers have been complaining to the agency that they are tied to their major suppliers for all gasoline needs and are forced to buy it "at whatever wholesale price is dicted to him." They have also been complaining about suppliers wholesaling to commercial accounts which would otherwise use service stations for their needs.

The FTC investigation has not been completed, but whatever complaints or remedies are finally ordered by the agency will apply to gasoline marketing throughout the country, according to officials.

Old Feud

Traditionally, gasoline retailers have been feuding with their suppliers. The National Congress of Petroleum Retailers recently renewed its plea to Congress for a law requiring producers and refiners to divest themselves of all gasoline marketing facilities.

A spokesman for the independents told the Congressional panel that independent retailers are "facing extinction" and will be replaced mainly by company-operated outlets. He contended that dealers will not be able to compete with secondary brands and self-service operations run by their oil company suppliers. He maintained that eventually this will mean major integrated oil companies will completely control the price and other conditions of gasoline sales to the consumer.

Independent markets advocate prohibiting major oil company suppliers from owning stations as well as operating them. This, they believe, would permit the dealers to shop for the lowest tank-wagon price and result in lower prices to the consumer and higher profits.

Legislation in this area has been discussed for several years. but Congress has not made any serious moves to pass it. Only time will tell whether the FTC and Justice Department investigations will produce better results.

Minimum Wage Battle

On the labor front, another round of higher wages is in the works. Just how much the minimum hourly rate for low-paid workers will go up now is up to the Senate. The House has passed a version that was backed by the Nixon Administration. It would increase the current $1.60 an hour minimum to $1.80 almost immediately, then boost the minimum to $2 an hour a year later.

This bill would also permit employers to pay youths under 18 years old and students under 21 at the present $1.60 rate. The Senate Labor Committee, meanwhile, has approved a Democratic proposal to raise the minimum to $2 an hour a year immediately and $2.20 a year after that. Donald Runsfeld, Director of the Cost of Living Council, said the higher paying bill would threaten the Administration's inflation control program.

Pollution Stay

A two-year delay to 25 large cities before they must meet federal pollution standards has been granted by the Environmental protection Agency. Earlier, the agency said the standards would become effective in mid-1975.

The plan conceivably could mean that some cities would have to curtail downtown traffic to meet the standards.

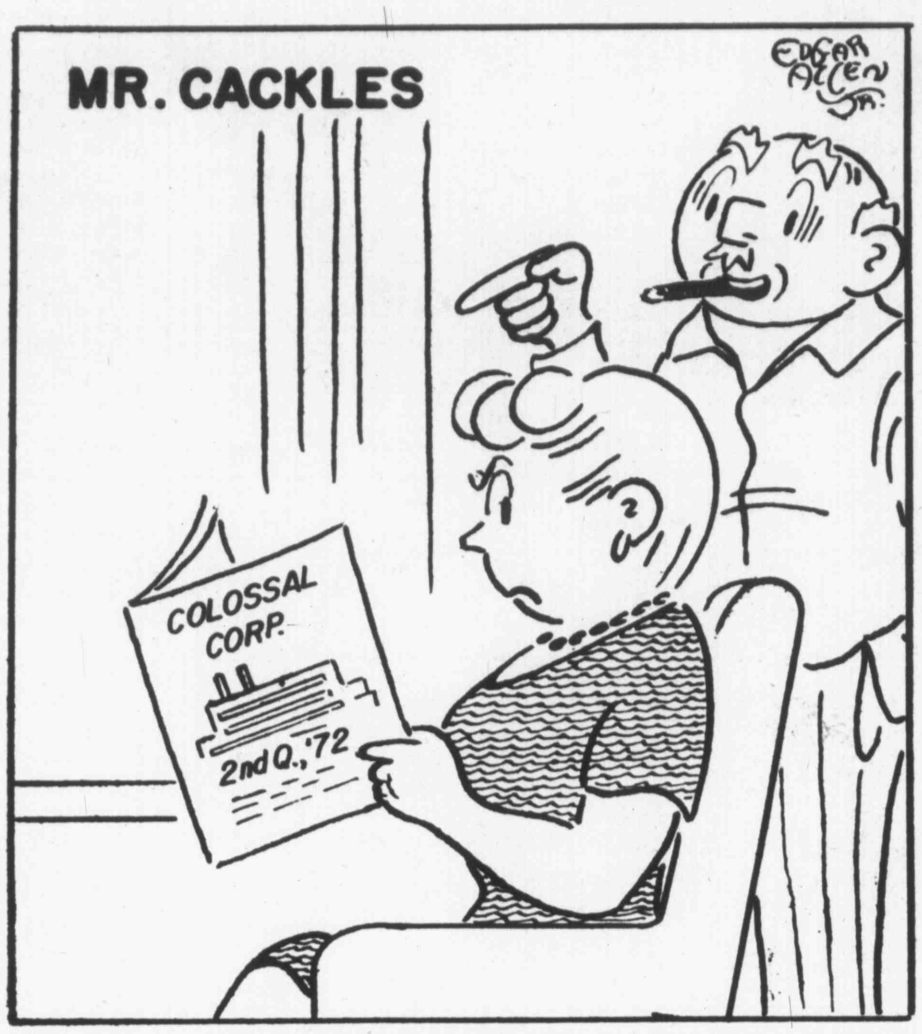
In amending the original order, the Federal smog fighters said that a review of present technology and experience in attempting to control emissions in motor vehicles "in use" showed that many transportation control measures "may not be able to be fully implemented in three years in all area and that it is necessary at this time to grant the requested two-year extension."

The delay does not affect tough new auto exhaust emission regulations that will go into effect for new vehicles in 1975.

Octane Disclosure

The Justice Department will appeal a Federal court ruling that the Federal Trade Commission lacks authority to issue a trade regulation rule requiring the posting of octane ratings for gasoline on service station pumps.

The industry successfully challenged the FTC proposal, but the issue will probably wind up being decided by the U.S. Supreme Court.



"How much of that company do you own? Oh, I'd say about one doorknob."

Hechinger Co. Issue Sold Out

The initial public offering of 400,000 common shares of Hechinger Co. was sold out after reaching the market at $16 per share through an underwriting group headed by Johnston, Lemon & Co., Washington, D.C.

The company operates a chain of ten retail stores in the Washington, D.C., metropolitan area selling lumber, building materials, hardware, paint, paneling, unpainted and summer furniture, electrical and plumbing fixtures, tools, garden supplies and other items related to the "do-it-yourself" homeowner market.

Net proceeds from the offering will be used to reduce indebtedness, for the cost of relocating one store to a new and larger facility, for the expansion of eight other stores, and for equipping and moving to a new distribution center in Ardwick, Md.

Prior to the offering, all of the company's outstanding common stock was owned by Heco, Inc., a corporation which is wholly-owned, directly and indirectly, by the heirs of the late Sidney L. Hechinger, who established the business in 1911. Upon completion of the offering, Heco will own 84.9 per cent of the 2,650,000 shares to be outstanding.

Claiborne, Joins Wm. E. Pollock Co.

Wm E. Pollock & C, Inc., 160 Water Street, New York City, dealers in U.S. Government securities, have announced that John H. Claiborne, Jr., formerly fiscal agent for the Federal National Mortgage Association, has joined the firm in its New York City headquarters.

Mr. Claiborne has been with FNMA since 1956, and was previously associated with R. L Day & Company and Hallgarten & Company in a variety of sales positions, as a dealer in corporate and municipal bonds and common stock. From 1942 to 1946, he served with the U.S. Army, attaining the rank of major.

Wm. E. Pollock & Co., Inc., is engaged in the underwriting and distribution of U.S. Government securities, Federal Agency obligations, and corporate and municipal bonds. The firm maintains branch offices in San Francisco, West Palm Beach, Phoenix, Arizona, Columbus, Ohio and Kansas City, Missouri.

Falvey Joins Bank of America

John A. Falvey has become associated with the Bank Investment Securities Division of the New York Group of Bank of America, as vice president and administrative officer. He will make his headquarters at the Bank's New York office, 45 Wall Street.

John A. Falvey

Mr. Falvey has recently been with the U.S. Postal Service as director of finance. Previously he was secretary and treasurer of the Investment Bankers Association of America. Between 1958 and 1962, when he joined the I. B. A., he was with City Securities Corporation of Indianapolis.

Davis Joins WTVJ As Fin. Editor

MIAMI, FLA., -Veteran stock market commentator Dick Davis has joined the staff of WTVJ as financial editor of Channel 4 News, it has been announced by William R. Brazzil, vice president in charge of WTVJ.

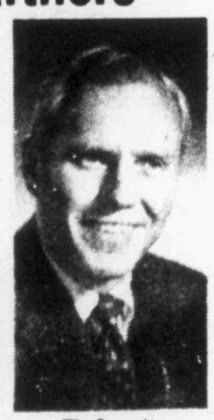
Dick Davis

Mr. Davis, a well-known stock market broadcaster, initiated his live report on Channel 4's "NEWS AT NOON" program, Monday, July 10. Each weekday, he will present an in-depth analysis of Wall Street activities. The broadcast will provide Channel 4 with the most comprehensive noon-time market coverage in the country.

Dick Davis' Stock Market Report will be a digest of all the important action, spotlighting the big movers, late-breaking financial news, and analysis of market trends. Mr. Davis is the only employee of a member firm of the New York Stock Exchange (Walston and Company) devoting full time to reporting on the stock market via radio and television. The Dick Davis Stock Market Report has been on-the-air in the South Florida area for the past seven years.

Lazard Freres Admits Partners

Stephen M. Dubrul, Jr.



Robert B. Rivel

Lazard Freres & Co., 1 Rockefeller Plaza, New York City, members of the New York Stock Exchange, have announced that Stephen M. DuBrul, Jr. and Robert B. Rivel have been admitted to general partnership in the firm.

Mr. DuBrul was formerly a partner of Lehman Brothers. Mr. Rivel was an executive vice president of the Chase Manhattan Bank.

Edwards Hanly Branch

CHICAGO, ILL. — Edwards & Hanly have opened a branch office at 150 South Wacker Drive under the management of James J. Stead, Jr.