

## Strategies for option trading

# Hot and naked in the options market

## Janeway comes aboard

With this issue Elliot Janeway, the economist and market pulse-taker begins his affiliation with The Chronicle. Combining the disciplines of economics, political science and finance in his outlook, Janeway is most noted for his domestic and international analyses.

The Chronicle has the sole financial community franchise to Elliot Janeway's newspaper columns and will carry, as well, exclusive material developed in weekly interviews by The Chronicle's editors.

Long recognized as a best-selling author ("Struggle for Survival"; "The Economics of Crisis"; "What Shall I Do With My Money?"; and "You and Your Money, A Survival Kit to the Controlled Economy"), Janeway has been hailed both by the financial community and laymen as a sound forecaster of governmental policy and its effects on the economy.

As an advisor to presidents, senators and congressmen of both parties, he has been called upon regularly to testify before congressional committees. He has appeared before the Senate Foreign Relations Committee, the Joint Economic Committee of Congress and, this week, before the Senate Finance Committee's Subcommittee on Financial Markets.

The thrust of Janeway's testimony had to do with bringing the small investor



ELIOT JANEWAY:  
pulse-taker

back into the market and diversification requirements for pension managers. The scope of his qualifications are such that he is equally in demand on television and radio shows and in the halls of Congress.

One outgrowth of the seminars he conducts three times a year was the demand for wage-price controls, which President Nixon subsequently initiated on August 14, 1971. Janeway correctly forecast that the specifics of Phase I would be disastrous, and that a Phase II would be needed.

First to forecast the runaway budget deficit, he also predicted the continued rise in interest rates with its concomitant downward drag on the economy.

Janeway has been consistently bearish on the stock market, and believes now that its current downtrend can only be relieved by Nixon's removal from office.

By Alan J. Wax  
Chronicle Staff

"Being naked is tremendous!" says Leon Pomerance, who is not a sex maniac, but is a bit fanatical nonetheless. His mania is options—puts and calls—investment instruments that have provided him with a living for the past 26 years. Being "naked" is one of countless strategies that investors are discovering in this expanding field, where returns of 15 per cent or more come easy.

Pomerance, who runs the options department at Donaldson, Lufkin & Jenrette Inc. and is chairman of the Chicago Board Options Exchange, says he loves every minute of what he does. "It's as if I were reborn," he adds in describing what the 10-month-old CBOE has done for the options field.

The CBOE, formed last year under a pilot arrangement with the Securities and Exchange Commission, has provided a liquid, secondary market for call options on 32 New York Stock Exchange stocks. The CBOE expects to soon add eight more issues to its list and hopes to begin trading in puts later this year. The American and PBW Stock Exchanges also hope to get some of the action if the SEC approves their proposals.

### Standardization helps

On the CBOE standardization of premiums, striking prices and expiration dates has been a plus factor in the exchange's success and facilitates the workings of the secondary market, is especially useful to aggressive, trading-oriented investors. The conventional over-the-counter market for options that has existed in the U.S. for about 100 years has always been a hodge podge of premiums, striking prices and expiration dates.

The CBOE has also brought some regulation into the options field. This is especially noticeable with regard to "naked" options,

which are calls written (sold) by someone not owning the underlying stock—in effect a short sale. CBOE rules require naked options writers to cover themselves with a collateral blanket amounting to 90 per cent of the contract.

For example, take the case of a trader known as Stanley, who deals with a New York-based options trading firm. Stanley has sold more than \$30,000 in naked options and has been right 100 per cent. Included in his collateral is \$160,000 in 8 per cent Treasury bills. Because Stanley has been selling options which are deeply out of the money, he has only collected minimal premiums.

Continued on page 19

### Hedge factor

## The how of riskless arbitrage

"Riskless" or convertible arbitrage — as opposed to "risk" or merger arbitrage, which was discussed here two weeks ago involves the purchase of one security and the sale of another security of the same company, provided that the security purchased is equivalent to, or exchangeable for, the security sold.

As in any other type of arbitrage, the situation is made viable by the market spread, the disparity between the prices of the item purchased and the item sold.

It is called "riskless" because, unlike merger arbitrage, at no time during the trading operation is the arbitrageur at the mercy of the market. His offsetting trades are made simultaneously, with the

Continued on page 2

## Featured inside

### MAN IN THE STREET

An angry man wants to end the N.Y.S.E.'s monopoly on floor commissions. Donald Weeden is this week's Man in the Street. Page 4.

### POLLACK APPOINTED

Where once the combined voices of Wall Street had some impact on the administration, the appointment of Pollack to the SEC is evidence of Nixon's indifference today. Page 5

### 100 YEARS AGO

A plethora of money was floating around a century ago, and The Chronicle described the reaction to that happy situation. A new standing feature, "100 years ago in The Chronicle" begins on Page 7.

### ELIOT JANEWAY

The stock market will force Nixon out, says Elliot Janeway, in his first column for The Chronicle. But don't look for a big rise thereafter. Page 7

### FINANCIAL NEWS DIGEST

Information you may want to read in depth later, is here digested for quick reading for the busy executive. Highlights from 22 financial publications. page 11

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# Arbitrage

Continued from page 1

profit locked into the spread from the outset of the transaction.

Yet a large part of what arbitrageurs do in this area of domestic trading is not true arbitrage at all. A market of 45% - 1/2 on the Pacific Coast Exchange, against a simultaneous market of 45% on the New York Board is not going to happen very often; and if it does happen, it is not going to last very long, with traders belting the West Coast bid and lifting the New York offering.

But arbitrageurs are not bereft of profitable alternatives; and out of their special talents and acquisitive nature, there has developed a sophisticated system of market operation that offers them maximum opportunity for profit while limiting their vulnerability to the fickle ways of the market. This is known as hedging. Call it Son of Arbitrage.

The basic instruments of convertible arbitrage are units, convertible preferred stock, convertible bonds, rights and warrants. The mechanics of trading in convertible securities can be seen in the following examples concerning warrants.

For practical purposes, warrants are not true arbitrage devices; they are essentially hedge mechanisms. By definition, they are negotiable securities that represent options to purchase common stock from the issuer at a stated price within a specified period of time. They are commonly issued for a period of five to ten years.

Potential for profit lies in the undervalued warrant, the warrant whose market price is particularly

low in relation to the common stock that may be exchanged for it.

In calculating the value of a warrant, it is necessary to know its conversion value. This is the difference between the price of the common stock and the exercise price of the warrant. If a stock is selling at \$40.00 and the warrant is exercisable at \$25, the conversion value is \$15.

Except in the most remote cases, a warrant will never sell below its conversion value since this would create an instant arbitrage situation that would extinguish itself immediately.

In the above case, for example, if the warrants could be purchased at \$14 while the stock was being sold short at \$40, there would be an immediate riskless profit of \$1.00 per share. Once discovered, the demand for warrants and the downside pressure on the common would quickly correct this imbalance and wipe out the spread.

It is even unlikely that warrants would sell at exactly their conversion value. No instant profit could be squeezed out of this situation, but investors who wished to own the common stock would purchase and exercise the warrants instead in order to reduce their commission charges.

Since warrants will commonly trade at prices above their conversion or intrinsic value, they will command a premium. This is the speculative value of a warrant. It represents the difference between the warrant's market price and its conversion value.

When the common stock is selling at or below the exercise price, the warrant has no conversion value. Its value is completely speculative. But when the common moves above the exercise price, the warrant takes on both

values: intrinsic and speculative. As the common continues to increase in price, the speculative value of the warrant declines and the intrinsic value rises.

Consider our previous example, where a warrant of a company is exchangeable for one share of common stock at a price of \$25. The table shows the relationship between the stock and warrant prices and the shift of values in the warrant.

In determining the normal or expected market value of a warrant, the following method may be used: square the exercise price, add the square of the common stock price, extract the square root of the sum, and subtract the exercise price.

The result is the price at which the warrant should sell in normal circumstances. Any substantial deviation from this price opens the door to potential profit, and professional arbitrageurs are quick to exploit such situations.

Look at the table. As noted, the exercise price is \$25. When the stock is trading at \$20 (below conversion value), the square of 25, or 625, is added to the square of 20, or 400. The square root of the resultant 1025 is about 32, from which the exercise price of 25 is subtracted. The difference is 7, which represents the normal price of the warrant.

When warrants sell below their expected value, they are said to be undervalued. At this point they become candidates for purchase by both arbitrageurs and alert professional speculators.

It can be seen in the table that as the price of the common continues to advance above the exercise price, the conversion or intrinsic value of the warrant rises by corresponding increments. At the same time the speculative value or premium declines.

For example, the premium is \$5 when the stock is trading at \$50. At common stock prices of \$100, \$200, and \$500, the premium would be \$3, \$1.50, and \$0.60, respectively.

Another factor to be considered in the above table is the leverage impact of the warrant vis-a-vis the common stock. When the common moves from \$20 to \$30 for a 50 percent increase, the warrant is advancing from \$7 to \$14 for a 100 percent rise. A 150 percent increase by the common as it moves from 20 to 50 is far outstripped by the warrant's performance as it goes from \$7 to \$30, an upward move of 428 percent.

To the sophisticated investor seeking a long position in the common, the undervalued warrant offers an attractive alternative, since the upside potential substantially outweighs the downside risk.

But the arbitrageur, in an effort to maximize profits while minimizing losses, will hedge the purchase of warrants by a short sale of the common stock. If the stock moves down, the loss on the warrants is offset, at least partially, by the profit made in covering the common. If the stock moves up, the warrants will outpace the stock percentage-wise because of the leverage factor.

Of course, leverage works both ways, but an undervalued warrant can be expected to rise more rapidly and decline more slowly than a warrant selling at its normal price. Conversely, an overvalued warrant will decline

## 100 Years Ago

in

# The Chronicle

February 7, 1874

The month of January was characterized by a marked recovery in financial and mercantile affairs and closed with good promise for future improvement. Compared with 1873 the month presented a striking contrast: then the banks were in an impoverished condition, money commanded exorbitant rates for call and time loans, and the commercial outlook was decidedly discouraging; this year there has been a steady gain in the bank reserves from week to week, and capital seeking investment has been very abundant. The economy forced on the people by the late panic and the conservative course of the mercantile interests had much to do with the easy condition of the money market, but the same was partly the result of the Treasury policy, the \$44,000,000 legal tender reserve having been further encroached upon to the extent of \$5,000,000 forming the basis for \$20,000,000 new bank credits. There were less defaults on the part of the railroad corporations than anticipated, and the mercantile embarrassments were also fewer in number than usual at the beginning of the new year. Some of the leading banking houses which succumbed during the September panic resumed business, greatly increasing confidence in the financial situation.

The early part of the month was characterized by a firm, if not buoyant, market for stocks, and prices advanced sharply in the entire list. Investment shares were particularly prominent in the dealings, and towards the close the coal roads were favorably influenced by the announcement of the termination of the strike in the mining regions. Disbursements, which were large, on account of January interest and dividends, had a wholesome effect, while the large gain in earnings of the different roads as compared with last year helped on the upward movement.

The highest rate paid for call loans in money during the month was 7 per cent and the lowest 3, the majority of transactions having been at 4 to 6. This enlarged supply of loanable funds had its influence in the discount market, and prime endorsed business notes sold freely at 6.8 per cent, inferior grades of commercial paper ranging all the way up to 12 per cent.

STOCK PRICE	WARRANT PRICE	INTRINSIC VALUE	SPECULATIVE VALUE
20	7	0	7
25	10	0	10
30	14	5	9
35	18	10	8
40	22	15	7
45	26	20	6
50	30	25	5

faster and move up more slowly than the normal valued warrant.

With overvalued warrants, an operation known as reverse hedging is often employed, particularly when the warrant has less than two years before ex-

piration. In reverse hedging, the warrants are sold short and the common is purchased, even though there is no conversion privilege.

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J. I. WYER, Secretary

Wayne, N. J., February 5, 1974.

# Senate holds forum on inviting investor back

Washington. Hamburgers—would you believe McDonald's hamburgers may supplant steels, automobiles, and aluminum as the basic underpinnings of our nation's economy. This was so implied by Lynn Townsend, chairman of the board of Chrysler Corporation. Mr. Townsend was testifying before the subcommittee on Financial Markets in support of Senate Bill 2842 sponsored by Senator Lloyd Bentsen (D.-Tex.) who is chairman of the Committee.

## Proposed legislation

The Senator's bill would (1) place limitations on the stockholdings of pension fund managers. No pension fund could qualify for favorable tax treatment unless the assets of the fund were placed in the hands of a manager who invests no more than 5 per cent of its aggregate discretionary pension assets in any one equity security and, in addition, who acquires no more than 10 per cent of any equity security of any one company with respect to the aggregate discretionary pension accounts. The bill would also decrease the capital gains rate which is currently 35 per cent without regard to the special minimum tax provision or any other provision. The maximum rate would be decreased over the holding period of a capital asset until the maximum rate was reduced to about 14 per cent for assets held fifteen years.

## Sliding scale treatment

Capital losses would be provided comparable sliding scale treatment over the holding period of the assets. The present six months holding period for capital gains treatment would be extended to twelve months. This would be phased in by one month per year. Under the provisions of the bill, capital loss treatment would be liberalized. Individuals would be allowed to deduct up to \$4,000 of capital losses against ordinary income. It would also allow a three year carry back of capital losses against capital gains.

## Townsend testimony

In his testimony Mr. Townsend focused upon the McDonald Corporation (fast food service company) whose aggregate market value of stock equals the aggregate market value of the stock of United States Steel Corp. He also cited Avon Products, the supplier of cosmetics, whose stock is valued over a billion dollars higher than the entire stock of the Aluminum Company of America.

Townsend emphasized that the price-earnings ratio at the end of 1973 for chemicals was about 13; for steels 7; for aluminum about 15; automobiles at about 5, while the price-earnings ratio of McDonald's was 46 and Avon Products was 27.

## Book and market values

Another interesting comparison was made between the book values and market values of different companies. McDonald's had a

book value at the end of 1972 of \$200 million, and a recent market value of \$2.1 billion. Coca Cola had a book value of \$800 million, and a recent market value of about \$7.1 billion. On the other hand U. S. Steel had a book value of \$3.6 billion and a recent market value of about \$2.2 billion.

The purpose of all these the statistics was to focus attention on equity capital as it relates to basic U. S. industry and the drastic decline in investor interest in the stock market.

Mr. Townsend said, "The capital markets in the United States are an essential element in our competitive free enterprise system. These markets have been the most productive in the world. They depend on the willingness of people to save and put their savings out at a risk in the hope of a reasonable return. These markets normally accumulate capital from millions of people and allocate it to those sectors of the economy that have productive use for it. In the process there has been created a source of strength for the country that is immeasurable." In his closing remarks Town-

send stated it was essential that immediate steps be taken to facilitate the flow of equity funds to American business. The individual investor must have adequate incentive to return to the market. He called for a curb on the investment practices of large institutional investors.

## Janeway

Also testifying before the committee was the noted economist and syndicated columnist Elliot Janeway. Like Mr. Townsend he supported the Senator's bill calling for tax incentives in curbing the abuses of institutional investors.

## Deferred capital gains

Janeway called for the divestiture of pension funds from large holdings over a five-year period. His most important recommendation centered around the proposal to liberalize to \$4,000 the amount of ordinary income against which capital losses may be deducted.

In essence the stockholder would be accorded the same privileges as

a homeowner of deferring capital gains tax obligations on profits from selling his residence provided another home is bought within six months for as much or more money. Janeway said, "Why not extend to taxpaying stockholders the similar privilege offered to homeowners selling at a profit. Why not permit taxpaying stockholders to deduct all capital losses against ordinary income, provided the proceeds are reinvested in stocks within six months. To sharpen the incentive, deny the deduction altogether to loss takers content to call it quits."

## Strengthen Glass-Steagle

Janeway also called for the strengthening of the Glass-Steagle Act as it now stands and possibly to extend it along lines paralleling the Canadian system, which separates commercial banks and trust account activities.

## Big board chairman

James J. Needham, chairman of the New York Stock Exchange, also voiced in principle his support

of the Senator's bill. Needham told the subcommittee that capital gains taxation was a major factor in individual investment activities.

The big board chairman said, "A reduction in capital gains taxes could increase investor activity—and might at the same time increase federal revenues from capital gains taxes." As an example, he stated that federal revenues could have risen by \$1.7 billion if the capital gains tax had been cut in half for taxpayers now subject to rates of up to 25 per cent and if the tax rate for individuals subject to higher rates were cut to 25 per cent. (Ed's Note: see today's editorial.)

Mr. Needham recommended a number of other steps which could be taken to stimulate individual investment activity. They are:

Allow a \$1,000 capital gain tax exclusion from adjusted gross income when gains do not exceed 25 per cent of earned income.

Raise from \$1,000 to \$5,000 the maximum tax deduction against ordinary income for capital loss. Increase from \$100 to \$200

Continued on page 20

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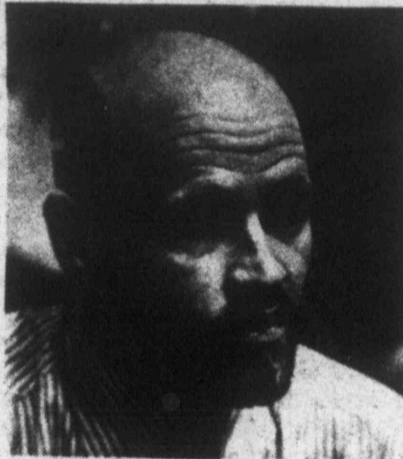
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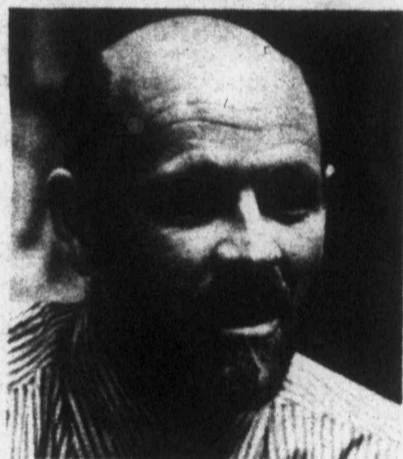
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## Man in the street

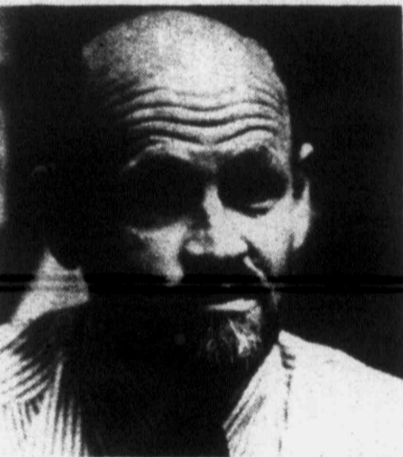
## He wants competition - but on his terms

By Alice L. Priest  
Chronicle Staff

WEEDEN: NYSE has



Monopolies on



Brokerage fees

Where are the markets going? In The Chronicle's pages in recent weeks there have been opinions by Frank Weil, chairman, finance committee, Paine, Webber, Jackson & Curtis; Ray Garrett, chairman of the SEC; and Paul Kolton, chairman of the AMEX. Each man sees the problems of the marketplace from his own viewpoint, and each has solutions to them.

Another emerging strong voice in the marketplace is Donald E. Weeden's, chairman, Weeden & Co., a leading participant in the Third Market. On the trading floor in Weeden's firm, market makers compete with the tape of the New York Stock Exchange, providing discounts to large block trades and ulcers to members of other New York exchanges who must buy and sell securities at fixed commission rates, and to specialists on these exchanges whose books are scrutinized intensively by surveillance men on a regular basis.

"A little band of intrepid entrepreneurs," is the way Paul Kolton described the reaction of the press to the Third Market, and, indeed, this is not far from

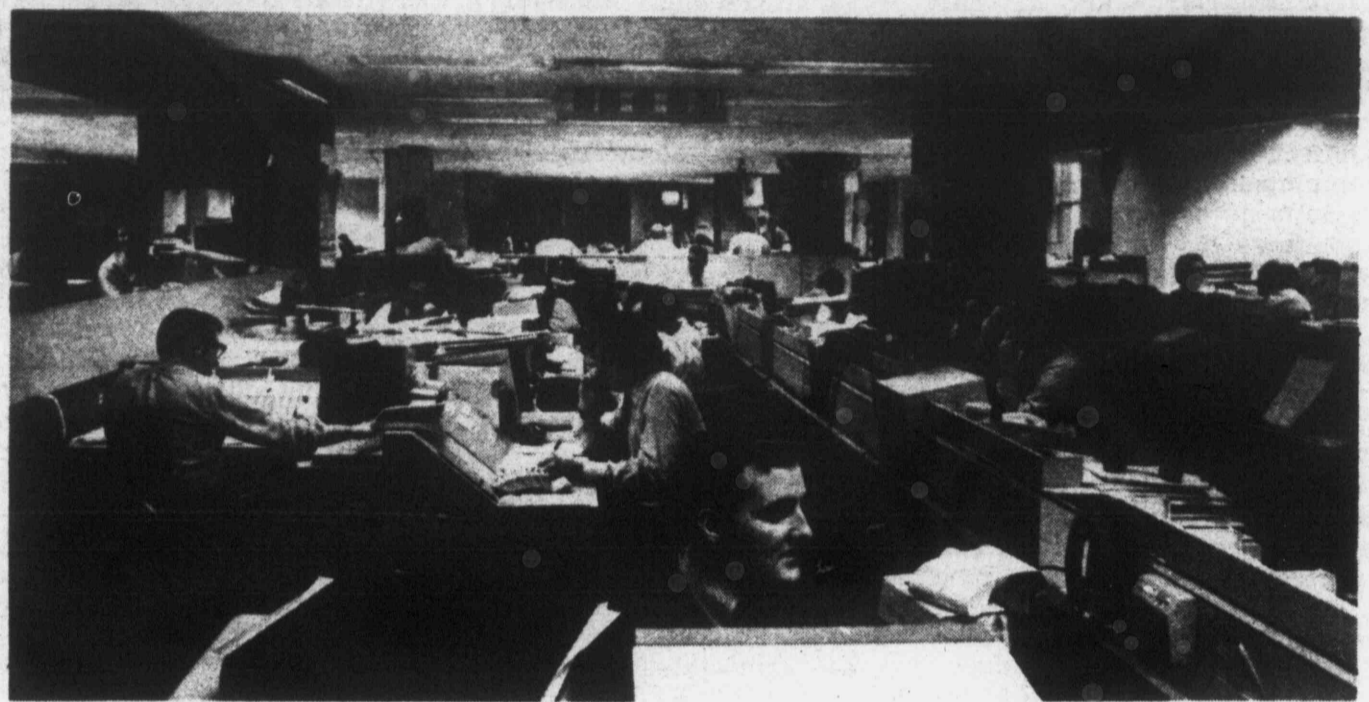
Weeden's view of it. "The New York Stock Exchange subsidizes its specialists to the tune of \$65 million," he claims, rather bitterly, "with funds that could be going to the brokerage houses. The broad tape could handle the orders left on specialists' books in its computer memory banks at 1-100,000th of the brokers' costs today. Then you would see the brokerage houses becoming very profitable."

What Weeden is referring to is the floor brokerage fees paid to specialists for acting as agents for brokers. Weeden says, "In orders which are simply left on books, the specialists don't participate in any way, they don't put up capital and they take no risk. Why then should they be paid simply for record keeping, particularly when a computer can do it as well and certainly more cheaply?"

Currently, Weeden & Co., Inc. is a member of five regional exchanges: Pacific, PBW, Boston, Detroit and Cincinnati. Some of their trades with brokerage houses are brought to the floors of one of these regional exchanges after they are agreed upon with the market makers at Weeden's New York office. Medium size blocks, that is, 1,000 to 10,000 shares, are brought to these exchanges, according to Weeden because the brokers do not want to be at the "mercy" of the specialist on the floor of the N.Y.S.E. or American Stock Exchange. There is no rule at either exchange which says that all orders must go through the New York exchanges when their members are also members of other regional exchanges. Why, then, do they bring them to the floor of any exchange? Because, says Weeden, there are so many cumbersome forms that must be filled out when there are private transactions, that the brokerage houses prefer to use the apparatus of the exchange for transfer.

The key to Weeden's philosophy lies in the free enterprise ideal of open competition. In his often repeated statements, it is obvious that the free-wheeling, open-ended competition which he seeks has, as its concomitant, lack of regulation. Although he would undoubtedly deny this nonetheless, he would like exchanges, particularly the N.Y.S.E. to be curbed by the SEC, with regulation of its "monopolistic practices". On the other hand, he does not want the SEC to have far-reaching, broad powers which might, in any way, interfere with the profit structure of the industry. For this reason, he regards Frank Weil's proposals for federal overseeing of the industry to be "dangerous". Says Weeden, "Weil wants the government involved in manipulating rates. We could end up with the government regulating our rate of return. Down in the Street, here, you're not going to find people who will be willing to risk their capital for 8 per cent return on their money or some such figure."

What Weil actually proposed is that, in order to protect the small investor's competition with institution and large block traders,



SLOW DAY ON FLOOR: The cost of money is too high.

he believed that a Federal Security System should tax all trades, and put them into a "pot" whereby commissions for small investors would be subsidized to some degree by the levies on larger ones.

It is obvious that Weeden wants competition but he wants to define it himself.

In one area, Weeden has been successfully competing with a monopoly, and that area is in undercutting the "monopolistic" specialist on the N.Y.S.E. "There is no reason," says Weeden, "why the specialist should have sole access to all trading, especially when he buys for his own account as well as making a market in a security. This is a conflict of interest. And that conflict of interest is not in the public interest."

Weeden talks about the public interest when he attacks the Monopolies attempts to force all trades onto an exchange floor. But when it comes to protection of small or intermediate size investors, he takes another view of the word. In an address before the Institutional Traders Conference in June, 1973, he spoke about the effect of bad news on the market price of securities. When institutions hear bad news, according to Weeden, they run as rapidly as they can for the nearest exit. In their defense, he says, "I would rather be a smart sheep on the run than a dumb goat awaiting the slaughter. The combined effects of increased volume and more disclosure have inevitably led to more volatile markets - meaning markets that take sudden unexpected swings.

"The error in the Stock Exchange's analysis is in assuming that volatile markets are an unqualified evil.... When bad news comes out, stocks affected should and do drop in price. If nearly everyone gets the same information about the same time and decides to sell, the drop has got to be sudden and sharp."

The assumption here, of course, is that everyone is constantly watching the broad tape and is aware of each and every disclosure. While this is undoubtedly the case with in-

stitutions, large block traders and brokerage houses, disseminating this information to the investor whose primary interest or vocation is not the market is much more difficult. Accordingly, without orderly markets on the downside (or upside), the average investor will be badly hurt by such volatility, and, indeed, will not be able to compete with the large investors. Naturally, with the advent of truly disastrous news, such as the failure of Equity Funding, even the N.Y.S.E. suspends trading. But this is quite different from heavy selling on bad balance of payment news, change in investment philosophy or any other area of disclosure which only sophisticated investors can interpret.

Weeden believes that the broad tape, itself, with SEC overseeing,

is sufficient for policing the industry. When all transactions are listed on the broad tape, it will be possible to determine, by real time use, which market maker made which trade, what the spread was, what a position in the stock has been and whether or not there was any manipulation involved. And he is right. The computer can and does perform all of these functions efficiently right now. But the computer's efficiency alone cannot prevent combines of market makers from making private deals among themselves. "There is a monopoly right now," says Weeden, referring to the N.Y.S.E. specialist. "If we break it up, it will be a long time before it can come together again. Besides, the SEC can regulate that aspect. I don't believe market makers want

Continued on page 10

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# In Washington

By John Nash Washington Bureau

When Ray Garrett visited President Nixon in California just prior to taking over as chairman of the Securities and Exchange Commission, the President said, in effect, "You won't be hearing from me again; go out and do a good job."

That about sums up even today the extent of influence and pressure emanating from the White House in connection with SEC matters, judging from the White House reaction to the then proposed appointment of Irving Pollack as SEC Commissioner to replace Hugh F. Owens who left the SEC to head the Securities Investor Protection Corp. Pollack, director of the SEC's enforcement division, has had a 27-year distinguished SEC career.

Pollack got his job despite vigorous opposition from some of Wall Street's more influential figures, and despite financial contributions to the 1972 reelection of President Nixon. The appointment, in fact, underscores the loss of Wall Street's veto power in such matters.

Undoubtedly, Watergate has put the President and his staff in a state of siege, causing a preoccupation that excluded such other matters as Wall Street views regarding Pollack's tough, though fair, enforcement policies.

Pollack had the unanimous support of the other Commissioners, and most of the SEC staff were strong Pollack rooters. But in another era, in the halcyon days of the Colsons, the Haldemans and the Erlichmans, Pollack's opposition in the Street might well have been able to kill his appointment. Today in the wake of departures and and jail terms of once-powerful aides of the President, government agencies are asserting right to act independently.

Yet even with this new found freedom to act, the watchword at the SEC is moderation.

No long overdue innovation or rules changed, no flamboyance.... just quiet methodic and patient work in the critical areas of broker-dealer relationships, enforcement and disclosure.

It is a far cry from the "rule a day" or the "study a week" regimen of William Casey when practically every week, top brass from some segment or other of the securities industry converged on Washington for yet another important "industry wide committee" report on this or that aspect of the industry, complete with pictures and a panoply of publicity.

Almost forgotten are the intrigues and revelations surrounding the ITT papers, appearances at various congressional inquiries, and the Nixon reelection campaign involvement. For an agency that had been relatively scandal-free, but for over three decades compromised and debilitated by supercharged politics, the SEC is a Mr. Clean in a Brooks Brothers suit.

Unquestionably Garrett has been the epitome of low key operation these past months, resolving neither to ruffle the industry nor to lull it into believing that somehow the SEC has the elixir to restore it to its pre-1970 vigor and health. He has taken great pains in his public statements thus far to reiterate that the Commission intends to "build-on" the proposals that were pressed by Casey to meet the industry's problems with a minimum of experimentation.

He is committed to end the commission rate structure as it presently exists, and he has held out no hope for the abolition of, or at least a restraint on, the third market. The industry's proposal for a "Capital Markets Committee" met with unabashed yawns from the Commission.

If the industry is to find its way out of the Stygian gloom that prevails nowadays, it will have to depend upon its own resources or, at best, upon a remarkable resurgence of investor activity.

The present Commission seems to realize that you can't reinvigorate the industry with press-agency gimmickry about aimless studies.

The Garrett Commission is realistic enough to believe that the industry may never be the same again, and that the pre-1970 makeup of the industry may be gone forever. The DuPont-Walston demise reinforces this belief. The inability of the industry to block the Pollack appointment is a reflection of this surrender of power by an industry unable to defend itself.

#### Surprise in store

There may be some surprises in store for those who feel instinctively that the naming of Irving Pollack to the Commission will exacerbate the industry's problems in view of his reputation as the "enforcer"

Few in the Commission know as much about the innerworkings of the industry as does Mr. Pollack. Before the splitting apart of the Division of Trading and Markets in 1972 by former Chairman Casey, Pollack's jurisdiction encompassed the entire gamut of

trading activity, and broker-dealer problems. The new appointee has a keen insight into precisely what ails the industry. Granted, his strong suit is enforcement, he is nevertheless attuned to the present situation and can be expected to use his vast experience to help restore the industry's health.

#### Rebuild confidence

This is a good time at the Commission to reflect deeply on the industry's manifold problems. Corporate registration filings are considerably down from their highs of two and three years ago, and this includes investment company act filings. The number of blockbuster enforcement cases (King Resources, IOS, Four Seasons, National Student Marketing, Westgate-California) has diminished somewhat, allowing time and talent at the Commission for mature deliberation on what it can do to encourage millions of ordinary investors to return to the market place.

The rash of insider information scandals admittedly has not helped to instill investor con-

fidence in the market plodding along on 11 to 16 million share days, and on occasion hitting 20 million. Prices are still considerably depressed and there are good buys in the market.

The wave of broker dealer consolidations continues, and yet there continue to be advertisements for customers representative. Somebody is hiring and somebody obviously has confidence that there is still money to be made, and customers to be served. All that is needed is a little ingenuity, tenacity or perseverance, and an end to pecadillos in high office, ruinous transportation tie-ups, and unemployment occasioned by the energy situation.

Many have said that adversity simply creates opportunities and challenges to be solved. To survive and even prosper in these days requires herculean effort to overcome adversity. The industry will survive and even prosper if it will do its share, if Washington straightens out our economic difficulties, and if the SEC finishes its task of reforming the market structure.

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## Time for a look

Every so often in this country's history we seem to hatch so-called titans of industry who end up squashing the economy and creating panic and depression in the name of free enterprise. The history of the United States in the 19th Century is littered with the debris of the economic crashes and money panics that resulted.

The 20th Century has had its share, including the nation's worst depression, but alert Administrations and Congress have passed legislation that not only put a stop to many abuses by men with too much power, but produced an orderliness in which corporations thrived and investment opportunities grew.

Until now. Once again we have an industry, oil, threatening the economy, and to use one of the favorite phrases of President Nixon, who has kept strangely silent about the oil shortage, one thing is perfectly clear.

A broad scale inquiry by Congress is needed; an inquiry to determine whether the oil shortage was contrived, as it is charged, but more important, whether it is time to regulate the industry, just as other vital industries are regulated to insure that service will have as high a priority as extraordinary profits.

## Needham's double vision

The Indians used to say that the white man speaks with a forked tongue. This observation has relevance today when looking at man's well known failing of reading the same set of facts and arriving at opposite conclusions.

The New York Stock Exchange relied on an independent study which it commissioned to buttress its case that a liberalization of the capital gains tax would go a long way toward reviving waning individual investor interest in equity investment. Our reading of the same study leads us to an opposite conclusion. The great majority of investors interviewed in depth by the public opinion research firm, Oliver Quayle and Company, stated that tax considerations had very little to

If the higher profits of the oil companies were accompanied by greater output and lower prices, then the higher profits would be deserved.

But the opposite is true. We have higher prices and lower output, and thus a case for regulation, since the whole basis for regulating industries is to keep a lid on monopoly price increases that add to profits but not to greater output.

We've always believed, mistakenly it seems, that large companies were able to produce on a scale that would lower prices. But Henry Ford has been dead a long time, and a new kind of executive, not only in oil, seems to feel that shortages and higher prices based on short supplies is the way to profits. This is why we also believe that in that broad-based hearing so badly needed, Congress ought to look into the issue of bigness, itself, and the concentration it produces.

To use the case of the oil industry again, a number of reports exist now that the huge integrated oil companies have forced independent oil dealers out of business. If so, it may be that more than mere regulation is required. It may be time to break up the oil companies who as "integrated" companies control crude reserves, refining and marketing of oil products.

do with their investment decisions. The Quayle report concluded that "few investors gave tax reasons of any kind in explaining why they had not sold a stock or mutual fund (in 1972)."

Nevertheless, NYSE Chairman Needham, quoting Quayle in testimony to the Financial Markets Subcommittee of the Senate Finance Committee, on February 6, contended that the provisions of S. Senate Bill 2842 designed to lower the tax on capital gains did not go far enough to unlock capital gains, sharpen investment incentives and stimulate investment turnover.

Needham could have avoided his horrible blunder if he had dealt with the economic basis for investing instead of tax gimmicks.

## Straight Talk

by Christopher Elias

Investors and the securities industry alike have a major stake in critical legislation being proposed to limit the stock holdings and purchases of stocks by pension fund managers.

Pension fund money has flowed into bank trust departments at so great a rate that bank investing, tied as it is to a particular tier of stocks, has created a market not so liquid as before and one subject to great price swings instead of a desired orderliness.

Most investors, even sophisticated ones with substantial portfolios, can't stand to be whipped around that way, and so they are staying out of the market in great numbers.

A bill known as the Bentsen bill, after Senator Lloyd M. Bentsen, its sponsor and the head of a Senate Subcommittee on Financial Markets would go a long way toward restoring some of the liquidity of the market. It would limit a pension fund manager to investing not more than 5 percent of the discretionary assets in his charge, and he could hold no more than 10 percent of the outstanding stock of a large company.

In the face of this it is hard to understand the reluctance of James J. Needham, the chairman of the New York Stock Exchange, and champion of a campaign to revive liquidity in the auction market, to endorse the idea. He, himself, seems to agree that the legislation would help end the dominance of institutions in the stock market, a dominance that has been the cause of the auction market being crippled.

The banks, themselves, are aware of course of the problem in liquidity they have created, but only in recent weeks and months have they agreed to talk about it. Undoubtedly the proposed legislation has caused them to break silence for an argument that, as fiduciaries, they are not bound to take second best when they deal for their trust customers. To legislate them out of what they consider well-situated companies might force them to put the money they hold in trust, not into second raters, but into different kinds of investments. Bonds, for example.

We don't see anything wrong with that. It's hard to believe that bank trust departments have made much money in the market in recent years for their trust customers, especially the pension funds. And an outflowing of institutional funds must have a therapeutic effect.

A prime consideration, however,

in judging the proposed legislation, one that must take precedence over the banks' fiduciary responsibilities to their customers, is something called the national interest.

It is a vague term, to be sure, but it includes restoration of the public's confidence in the securities markets; the ability of smaller companies and entrepreneurs to raise capital; and the well-being of the securities industry. All these things and more have been injured, partly by banks who have actually deserted their fiduciary responsibilities and the prudent man rule with some go-go investments that even odd-lot buyers might avoid.

It's not hard to think of other advantages, too.

The legislation limiting investments would do more than just help restore the market's liquidity. It would remove some of the control banks have exercised in recent years through their trust departments over the corporations in which they have invested.

Two studies, one published by the House Banking and Currency Committee a few years ago, the other in the Senate just a few weeks ago confirm that banks have controlled as much as 60 percent of a corporation's stock. Ten percent, and at times, even five percent is enough for working control.

The banks have said they don't exercise that control, but the same studies show that banks have infiltrated the boards of many, many corporations in which they have invested, and who, we ask, is not going to listen when the banker on the board speaks up?

Actually, as the studies show, not one banker, but a number of bankers might speak up. For example, not long ago three banks held 21.7 percent of the stock of Aetna Life Insurance, and along with two other banks had eight men on the Aetna board. The numbers, incidentally, were typical, the study found.

Links with the press also showed up in the studies. Morgan Guaranty, for example, which today controls \$26 billion in trust, at one time held 9.7 percent of the common stock of Dow Jones; 5.6 percent of a New York Times preferred issue; 8.1 percent of the stock of Time; and 9.9 percent of the stock of McGraw Hill, publisher of Business Week. Such holdings could just barely continue under the Bentsen bill, but still the bill is a beginning.

## Senate investment legislation

## Banker offers some support

By Samuel R. Callaway

(Ed.'s note: The writer is executive vice president of Morgan Guaranty Trust Company of New York and heads the trust and investment division. The following is excerpted from his testimony before the Senate subcommittee on financial markets, which is considering legislative limits on the holdings of institutional investors.)

Though I have serious reservations about the institutional investor provisions of Senate bill 2842 and the reasoning behind them, let me say at the outset that I am in profound accord with the bill's stated intention to attract small investors to the equity market and to generate more employment, competition, and capital.

But I part company with this bill when I am told that the way to assure that adequate flow of

panies.

The proposal to influence the personal investment judgments of pension fund managers with statutory limits on stock holdings appears to be based on the belief that good investments can be legislated and prudence assured with percentages.

This belief is not supported by any trust experience of which I am aware and, indeed, it runs counter to the broad historical trend of trust legislation in recent decades which increasingly has recognized the advantages to beneficiaries of fewer restrictions on the investment discretion of fiduciaries.

The advantages of this trend toward more liberal fiduciary discretion are certainly borne out by our experience at Morgan Guaranty. Many of our accounts are limited by specific investment constraints written into the trust agreements. But those accounts—both pension and non-pension—

to time. In the early 1960's the public policy aspects of managing private pension plans were given intensive review by President Kennedy's Committee on Corporate Pension Funds and Other Private Retirement and Welfare Programs.

The Committee advised against "the substitution of a new set of statutory standards for the recognized standards of fiduciary responsibility..."

I submit that that continues to be sound advice.

Nonetheless, legislation is before this Committee proposing to reverse the historical trend and revert to a framework of fixed percentage limits on the stockholdings of pension fund managers. Several reasons are given for advocating this step:

Once again, we are told that only this new restrictive legislation can adequately protect the nation's 30-million or so members of pension plans from excessive concentration of investments in relatively few stocks.

As to the need for stimulating individual investors, I can state our position succinctly. We favor any measures that will make the equities market more attractive to small investors, provided they don't simultaneously make it less attractive to institutional investors and to the millions of pension beneficiaries and other individuals on whose behalf they act.

My deepest reservation, however, about the Committee's present bill is the way in which real problems have been lumped together with imaginary ones and then treated with equal seriousness.

Protecting the interest of trust beneficiaries is certainly a very genuine concern and one that we share with this Committee. But we see no need for additional legislation to compel what already exists.

We also are told that this legislation is essential in order to prevent a few banks from massing enough corporate stock to gain control over the American economy.

We are quite busy just keeping up with the investment needs of our individual and corporate clients. They have their own ideas of what a bank trust manager ought to be doing to retain their business — and dominating the nation's economy, company by company, is not among them.

In connection with assertions that bank trust departments have the potential to control corporations, I would add that we have been actively exploring possible ways of divesting ourselves of voting rights with respect to the stock we hold as trustee. This presents problems of legality, practicality and the assurance that the interests of our beneficiaries will be adequately protected. If these problems can be solved, we would welcome being rid of the burden of voting our trust holdings and being rid of the notion that, through our trust holdings, we somehow desire to control corporate managements.

## Eliot Janeway

The stock market will force Nixon out. The market is already going into a panic and is not going to wait for impeachment. In fact, the market will be near a break point by March, which by no coincidence is when the tax audit of Nixon will be completed.

This whole bad market may be based on money conditions, but political conditions and the parameters of Watergate play a great role.

Every past bad market has had government step in and do something. In the past government responded by making money easier. Or it put controls into effect. It lowered interest rates. It jawboned.

But there's not going to be anything done this time. There's not going to be any tax cut, though there's going to be an excess profits tax.

The only thing we can do now is get rid of Nixon.

No one is going to pay any attention to anything anyone in this administration has to say. It's a lame duck administration two years ahead of its time for becoming a lame duck.

Even with Nixon out, the outlook for stocks won't be that good.

To be sure, we had the Ford rally. When Gerry Ford was made Vice President he was good for 100 points in the market. And we'll have a rally, a second rally, with Nixon out. But this rally will be shorter and more moderate.

The plain fact is that Ford can't handle it. Sure, you get rid of the corruption issue, but not the incompetence issue. Ford is going to do good things. For example he'll go for a spending limit. But he'll also take a hard line against other countries in bargaining. In other words, he'll go nationalistic. In the market the stocks that will get hurt because of this will be the multi-national stocks.

Everyone is concerned about the individual investor returning to the market, but ways of getting him back there aren't very numerous. One way would be to serve up an inducement by tacking an amendment on to Senate Bill 2842, otherwise known as the Stockholders Investment Act.

My amendment relates to the bill's proposal to liberalize to \$4,000 the amount of ordinary income against which capital losses may be deducted. We have all been reading a great deal about the privilege accorded homeowners of deferring capital

gain tax obligations on profits taken from selling a home, provided that it is the taxpayer's principal residence, and so long as another home is bought within six months for as much or more money.

As Wilbur Mills has said, the entire basis on which our system rests assumes the right and the ability not only to have and to hold assets but to trade them.

It is the fear of losing this ability which is frightening individuals out of the stock market and inhibiting their re-entry. Why not extend to tax-paying stockholders the familiar privilege offered to homeowners selling at a profit?

Why not permit tax-paying stockholders to deduct all capital losses against ordinary income, provided the proceeds are reinvested in stocks within six months. To sharpen the incentive, deny the deduction altogether to loss-takers content to call it quits.

The benefits would be substantial for everyone.

The Treasury would not be long in gaining revenue, exactly as it has from the re-investment privilege granted homeowners making a profitable tax-free trade.

The two-way trading traffic certain to be stimulated by this simple measure would return brokers to the ranks of taxpayers. It would have the same expansive effect on market volume and on the structure of market prices that the development of a large short interest cannot fail to have.

To guarantee recapture of deductions by the Treasury, a stipulation could be added requiring loss-takers claiming the deduction to switch back into dividend-bearing stocks. This is what they would do anyway. Tax-paying stockholders stuck with red-ink market positions are richer in capital losses unusable for tax purposes than in any other wasting asset.

Besides, typical small investor psychology reasons that losses are not suffered until taken. The waiting process dries up the liquidity of the market, and inflates the losses waiting to be taken. Anyone taking losses fully deductible against ordinary income would opt for buying replacement positions, rather than lose deductions, especially now that so many under-priced, high-yielding values are coming into the reach of investors who are becoming increasingly incomeminded.

## Opinion

capital is to set fixed limits on institutional holdings, so that pension trust managers will be encouraged to show a greater interest in well-managed smaller companies.

There is no need to resort to compulsion to interest us in such companies. We have been interested in them and actively seeking them out for investment for a number of years. In 1961, our interest was formalized in a Special Situation Investments — Equities Fund, which draws upon pension assets only, to invest in a diversified list of smaller companies. Though such investments are inherently more volatile over short time spans, the performance of this fund has exceeded—indeed nearly doubled—our general portfolio performance over the years. So, it isn't necessary to recommend them to us.

While there is no shortage of interest on our part, we have not been able to find a greater number of smaller companies that can meet our investment criteria. Lowering our investment standards would allow us to accommodate a greater number of companies, but that also would represent an evasion of our binding obligation as a prudent fiduciary to exercise only our best judgment on behalf of our clients.

Proponents of the present bill should realize, moreover, that enacting its investment limiting provisions would by no means assure compulsory diversification.

Forcing investments out of well-situated companies will not automatically force them into companies that in our judgment may not be as well situated. Institutional investors may choose not to subject their trust clients to consequences of a second-best judgment. They may turn, instead, to bonds which, as a practical matter, most likely would be those of larger well-established com-

over which we exercise the widest latitude of discretion have consistently outperformed those that are restricted.

From a longer historical perspective, it is difficult to identify any case in recent decades in which the imposition of artificial controls to manipulate free market forces has done more than treat symptoms. This generally results in a new set of symptoms requiring yet another round of controls. The underlying problem usually persists until the special genius of free market forces is brought to bear.

Consider, for example, the widespread concern over the two-tier market being expressed six months ago. The conventional wisdom at that time was that an excessive concentration of pension fund assets had created a highly favored category of growth stocks that could never drop in value as long as the institutional investors held onto their stock. Each decision to buy additional stock in these companies was viewed as a self-fulfilling prophecy assuring that the companies would remain immune to adverse market forces while less popular stocks fell by the wayside.

I did not subscribe to such "instant clichés" last July and now that the free market forces have caught up with those favored growth stocks and shattered the myth of immunity, it is a rather firm satisfaction for me to point out that this has happened.

The disintegration of the two-tier structure is fairly well advanced by now and, insofar as we can determine, bank trust departments have not sold off their holdings in the mad scramble for the back door that was solemnly forecast.

This temptation to tinker with free markets and tamper with fiduciary responsibilities is not new, of course. It recurs from time

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# The Markets

## Bonds weather Treasury demands

By Robert B. Plante  
Special to the Chronicle

The market for prime debt securities moved higher on a broad front last week, spurred by a widespread belief that the Federal Reserve, in its conduct of monetary policy, was shifting toward a relaxation of credit restraint.

There was much to support this belief. During the previous week, the central bank had moved firmly to ease the squeeze on the reserves of the commercial banking system by injecting large doses of credit through repurchase agreements with dealers in government securities and through outright purchases of Treasury bills. And the fact that the Fed had moved with federal funds trading below the anticipated intervention level of 9 1/4 per cent lent weight and substance to the belief.

The markets moved up fast in bullish response to the open market activity. Then on Wednesday the bank dampened the market's new enthusiasm by executing reverse repurchase agreements, which has the effect of sopping up excess bank reserves.

On the heels of that action came a statement by Federal Reserve Board Chairman Arthur F. Burns that the Fed would not "open up the spigot and permit the money supply to increase rapidly." An easier monetary policy, he said, "can only be a marginally constructive influence."

### Embarrassing timing

Burns' observations could not have occurred at a more embarrassing time. They were made right in the middle of a huge \$4 billion Treasury refinancing, right after \$6.1 billion of regular weekly and monthly Treasury bills had been auctioned, and just prior to the \$600 million Federal Home Loan Banks double-headed financing.

His remarks, coming right after the Treasury's \$2-3/4 notes of '77 were auctioned brought the 3/8 to 1/2 premium down to a slight discount and cast a pall on the rest of the market for governments.

### Prime rate cut

Several of the larger banks followed Chemical Bank's lead in cutting the prime rate from 9.50 to 9.25 per cent. Other large banks are expected to follow suit.

On new issues of money market instruments, rates of interest were cut all along the line, while outstanding issues trading in the secondary markets moved up in price. Treasury bills, acceptances, commercial paper, and negotiable certificates of deposit all participated in the uptick.

Rates of discount on Treasury bills declined sharply at last

week's two bill auctions. On Monday three-month bills sold at an average tender rate of 6.951 per cent, down from 7.779 per cent the previous week. Six-month paper sold at a 6.747 per cent average, compared with 7.516 per cent a week earlier. Both issues traded at the lowest rates since last May.

### Treasury refinancing

The Treasury last week raised \$4.05 billion to refund two issues of securities coming due Feb. 15. On Monday the Government borrowed \$1.5 billion on 7 per cent noted maturing Feb. 15, 1981, to

refund an issue of 4 1/8 per cent bonds.

On Tuesday they requisitioned \$2.25 billion on 6 3/8 per cent notes due May 15, 1977 to refinance the maturing 7 3/8 per cent notes. On Thursday they reopened an outstanding issue of \$600 million 7 1/2 per cent bonds, due Aug. 15, 1993 for an additional \$300 million.

The Treasury, thus, paid down \$1,406 million of the 5,456 million of the February maturities of which the public held \$4,523 million. It plans, however, to borrow \$2 billion in March and another \$2 billion in April which is larger than the \$1.5 billion the market had been expecting. The anticipated \$304.4 billion Federal budget for fiscal 1975, commencing next July 1, and the Administration's projected \$9.4 billion deficit caused hardly a stir.

In the secondary market, prices rose throughout the list early in the week only to shed part of the gains later on. Coupon issues averaged net improvements of about 4-32. The 7 1/8s of 1993-88 were up 6-32 at 100 30-32 bid. The 7s of 1998-93 rose to 95 18-32, up 4-32 on the week.

In the agency market, the Federal Home Loan Banks on Thursday offered \$300 million 6.80 per cent bonds, due May 27, 1975, and \$300 million 7.05 per cent bonds, maturing Feb. 25, 1980. Both issues were priced at par.

### Corporates strong

The corporate bond market was strong last week in both new-issue pricing and secondary market activity, but it is not clear whether bonds were actually going away, or whether they were merely moving from dealer to dealer in round-robin fashion at progressively higher prices.

One exception was a \$150 million issue of 8-year notes by Security Pacific Corp. The triple-A notes, tagged as 7.70s at par, were purchased through negotiation by a group led by First Boston Corporation as senior manager. The issue was well received, with about 90 per cent of the notes moving out on the day of sale.

A \$70 million issue of Union Electric Co. 8 3/8 per cent first mortgage bonds due 2004 was won at competitive bidding by First Boston Corporation and associates, and reoffered to investors at 101.75 to yield 8.22 per cent. The bonds moved sluggishly.

In the tax-exempt sector, the tone was very firm and the market very active; but as in the corporate market, it seemed to be mostly professional activity. Bonds were being bought by dealers, marked up by .10 or .20 basis points, and reoffered to other dealers for further mark-ups. "It's like musical chairs," one dealer said. "There's all kinds of activity for a while; but when the music stops, there's always somebody left standing."

## Stocks

Two important meetings this week could determine the future shape of the stock market for some time to come. The meetings will decide how the free-world's energy supply is to be allocated and what is to become of the Arab oil embargo.

Oil consuming nations meet Monday in Washington, while Arab oil producing nations meet Thursday in Tripoli. The latter meeting is expected to play a greater role in influencing the course of stock prices and until there are some announcements, investors will in all likelihood be building up their expectations. This issue has provided a great deal of emotion and conjecture in the stock market and its resolution will shape the market.

What the outcome will be is presently up in the air. Secretary of State Kissinger suggested last week that the embargo will continue tary of State Kissinger suggested last week that the embargo will continue but Chase Manhattan Bank's David Rockefeller says Saudi Arabian King Faisal has told him the embargo will end.

It was this kind of news that was lacking last week and thus the market pretty much stood still. The most passion displayed by investors last week came in a big selloff during the first hour of last week's first trading session in which the Dow dropped 20 points. The low volume during the remainder of the week demonstrated the lack of internal dynamics in the stock market.

## Insider trading

### Riklis buys Rapid-American in private sale in Dec.

Rapid-American Corp. and Meshulam Riklis, its chairman, who made headlines in the financial press last week, top this week's list of insider trading. The list is provided to The Chronicle by the Securities and Exchange Commission.

In its report this week, the SEC noted that Riklis bought 25,000 shares of the company's common stock on December 28, 1973 in a private sale at a cost of \$11 a share. The stock closed last Wednesday at \$15.625.

Last week a stockholder of McCrory Corp. filed a class action suit against Riklis on anti-trust and other grounds, alleging that he and his associates were attempting to gain control of Interstate Stores Inc. Rapid-American, which owns 63 per cent of McCrory, was named as a defendant in the suit.

Among other items on this week's list are:

**American Consumer Industries, Inc.** 6,750 comm. at \$7.00 - private purchase on 12-4-73, by John P. McGrath, Director.

**American Cyanamid Company.** 2,720 comm. - 2,700 at \$19.125, and 20 at \$19.00 - both open market sales on 12-31-73, by Thomas P. Turchan, Vice President.

**American Hoist & Derrick Company.** 3,600 comm. at \$9.25 - acquired through exercise of option on 1-11-74, by Robert Phillip Fox, President and Director.

**American Home Products Corp.** 2,000 comm. at \$40.00 - open market sale on 1-17-74, by Herbert Edward Carnes, Director.

**American Security Corporation.** 6,000 comm. at \$51.875 - open market purchase on 1-30-73, by B. Francis Saul II, Director.

**American Security Corporation.** 500 comm. at \$51.25 - open market purchase on 2-7-73; and 2,000 comm. at \$49.50 - open market purchase on 2-15-73, by B. Francis Saul II, Director.

**AVX Corporation.** 9,000 comm. at \$11.53 - acquired through exercise of stock option on 1-2-74, by Daniel L. McQuillan, President and Director.

**Centran Bancshares Corporation.** 2,148 comm. at \$21.50 - open market sale on 12-31-73, by Robert Douglas McCreery, Director.

**Checker Motors Corporation.** 25,700 comm. at \$23.00 - private purchase on 1-3-74, by Checker Taxi Company Inc., Beneficial Owner of more than 5 per cent of the Corporation's common stock.

**Chicago & Eastern Illinois Railroad.** 5,300 Chicago & Eastern Illinois Railroad Company - Common Stock at prices ranging from \$11.50 to \$14-3/8 - all open market purchase between 12-11-73 and 12-31-73. 14 sep. transactions of between 100 and 1,500 shares. Missouri Pacific Railroad Company, Direct Beneficial Owner of

more than 10 per cent of the Common Stock.

**Citnational Development Trust.** 20,000 shares of Beneficial Interest (without warrants) at \$10.43 - open market purchase on various dates in December 73; and 1,000 shares of Beneficial Interest (with warrants) at \$10.49 - open market purchase also on various dates in December 73. City National Corporation, Beneficial owner of more than 10 per cent of the Company's shares of beneficial interest.

**Coburn Optical Industries, Inc.** 7,700 comm. at prices ranging from \$11.25 to \$14.00 - open market purchases on 12-3-73 and 12-13-73, in 14 separate transactions ranging in amounts from 100 to 1,400 shares. O. W. Coburn, President, Chief Executive Officer & Director.

**Continental Connector Corporation.** 14,000 comm. at \$7.25 - private purchase on 12-6-73. Jerome D. Mack, Director & Vice President - Finance.

**Continental Oil Company.** 5,000 comm. at \$53.25 sale on 12-26-73. John Dale Morrow, Senior Vice President.

**Daniel International Corporation.** 1,000 comm. at \$42.00 - open market sale on 12-20-73. George Edward McDougall, Vice President & Director.

**DeJUR-AMSCO Corporation.** 171,246 class A comm. at \$7.50 - private sale on 1-7-74; and 11,298 class A comm. at \$7.50 - private sale, also on 1-7-74. Ralph A. DeJur, Officer, Director and holder of more than 10 per cent of the outstanding stock (until 1-7-74).

**First Banc Group of Ohio, Inc.** 50 comm., 10 comm. and 400 comm. disposed of by gift (not involving cash) on 12-21-73, 12-21-73, and 12-24-73; and 1,037 c. om. at \$32.00 - purchase on 12-20-73. John G. McCoy, Director & President.

**Freeportminerals Co.** 2,000 comm. at prices ranging between \$24.00 and \$25.25 - open market sales on 12-20-73, in 4 separate transactions of amounts ranging from 200 to 1,000 shares. Robert G. Stone, Jr., Director.

**General Mills, Inc.** 500 comm. at \$54.125 - open market sale on 12-21-73; and 500 comm. at \$53.50 - open market sale on 12-24-73. Mercedes A. Bates, Vice President.

**General Motors Corporation.** 544 General Motors Common Stock at \$46.75 - acquired on receipt of bonus on 1-10-74. George B. Morris, Jr., Vice President.

**Great American Corporation.** 2,000 comm. at \$22.00 - private purchase on 12-20-73. George Harold King, Jr., Director.

Continued on page 20

# Market Letters Digest

**Harris Upham & Co.'s Market Interpretations** suggests that the stock market's current neutral trend makes the task of trying to identify the next sustainable trend difficult. Analyst Ralph Acompora anticipates a retesting of the 788 level of the Dow. He notes that technicians using Dow theory claim that if the 880 upside resistance level is penetrated along with an upside breakout above upside resistance level is penetrated along with an upside breakout above the 205 level on the Dow Jones transportation average, the long-term bear trend will be reversed and the potential for an intermediate-term advance would be enhanced. Recent strength in the transportation index bodes well for the intermediate and long-term outlook and new leadership is developing among the stocks used in the average. These stocks are usually the quality issues of a conservative, low p-e nature that lead the first phase of any major advance. Among these issues are these rail stocks: **Chicago & Eastern Illinois**, which registered a new three year high in January and is experiencing some near-term profit-taking, but has an upside objective of 18-20.; **Southern Pacific**, which has a good base in the low to mid-30's with a target of the mid- to upper 40's; **Soo Line Railroad**, which also has a potential for a move to the mid- to upper 40's; and **Seaboard Coastline**, which is undergoing consolidation and has a long-term potential of reaching the low- to mid-40's.

**White, Weld & Co. Inc. Economic Comment** notes that **Common Market officials** have

hinted at a possible increase in the official price of gold which is now \$42.22, compared to the market price of about \$133 an ounce. While this could make gold available for settling international accounts, such an increase would also provide additional reserves that could be used by industrialized nations to help finance the recent fourfold increase in the cost of oil imports. However, the letter adds, an increase to \$100 an ounce would only provide a little over half of the increased cost of oil imports by major countries for one year, assuming the current oil prices hold. Furthermore, the numbers imply that the benefits of an official gold price increase would be used up in one year, but this is unlikely since governments would probably expect a major portion of the oil cost increases to continue for a number of years. Domestic monetary policies, currency values, or private gold holdings would not be affected by the increase, which could provide further stimulus to the free market price of gold by raising what in effect is the floor price.

**Paine Webber Jackson & Curtis Inc.'s Money Market Perspectives** in a discussion of the federal budget and federal financing by economist Robert H. Ried notes that since at least fiscal 1963 the federal government has run budget deficits as measured on a national income accounts basis every year except fiscal 1969, which was in surplus only as a result of a belatedly imposed 10 per cent income tax surcharge. Furthermore, the projected federal budget deficit for fiscal 1975 will be around \$10 billion, which if history of the last eight

years is a precedent for next year, implies a federal budget deficit of around \$20 billion. Such deficits would imply that the Treasury during calendar 1974 will utilize this financing strategy: near-term financing will be dependent on the Treasury's February refunding terms. Prior to April tax payments, the Treasury will need about \$4 billion and thereafter, it should have clear sailing until the third quarter, barring sizeable redemptions of certificates of indebtedness by foreign central banks. Over the third quarter the Treasury will need \$5-\$6 billion and an additional \$8-\$10 billion over the fourth quarter. Thus, these large deficits, if augmented by continued foreign selling of Treasury securities, could put pressure on interest rates.

**Laidlaw-Coggeshall Inc.'s latest Economic Analysis** bears the subtitle: **Nixonomics-1974 Vintage** and suggests that the Administration has essentially the same economic goals it had when it took office in 1969—halting inflation, reforming the federal income tax structure and improving the U.S. balance of payments. It adds that policy should be geared to making further progress in these areas within a more stable economic environment and it is unlikely that there will be any change in the Administration's deep-rooted refusal to change the basic structure of the economy. With regard to controls, the letter suggested, "decontrol is more practical now politically than it was a year ago since both business and labor have pressured the Administration for this. The letter also says, there will be no scarcity

of credit in 1974 and that a variable capital gains tax has a good chance of getting through Congress.

**Wright Bankers' Service Investment Advice & Analysts** continues to recommend a fully invested position in high-grade equities and expects a broad advance in security values this year, excepting only those of last year's "growth stock favorites" whose p-e ratios have not yet been returned to or below comparatively reasonable market variations. This year's forecast on the whole is favorable for common stocks generally, the letter said and went on to recommend these stocks: **Gillette** for growth averaging 20 per cent annually over the next five years and at a price below 40; **Jonathan Logan** for long-term investment growth potential under a price of zbe **McDonnell-Douglas** at under 18 for a projected annual return of 30 per cent over the next five years; **Outboard Marine** up to 22, because the longer term investment growth potential rewards justify purchase even though its market action may continue to be weak in the months ahead; and **Purex** for which additional purchases should be deferred pending improved visibility of earnings prospects.

**Three Shoes Left to Drop** is the title of the latest **Bernstein-Macaulay Inc.** letter, which questions whether the worst of the possibilities for the economy have been fully reflected in stock prices. The letter cautiously suggests that while investors may have digested the worst shocks, some potentials have not been fully appraised. The letter sees the economy better-

than-expected in the first half, but finds it hard to visualize much of a business recovery in 1975—at least in the first half. It sees a replay of 1973 for stocks in 1974 with a series of large, sharp swings in reaction to changes in investor sentiment.

Recommended investment strategy is being conservative, nimble and highly selective—seizing opportunities as they arise.

**Fitch Corporate Bond Review** sees another plus in the energy crisis—record high corporate and municipal bond flotations. It says that the likely drive for long-term funds this year with a zero growth in gross national product in real terms may result in lower money rates this year

**Lionel D. Edie & Co. Inc.'s Business Outlook Confidential Economic Analysis** takes a look at the business outlook and sees more inflation and less real growth as a result of the jump in oil prices. It notes that the U.S. may suffer a trade deficit of \$3 billion with additional inflation as a further depressant to consumer spending.

However, a modest economic recovery seems likely by fall, assuming that Arab oil flows again in the spring, but as the recession, which began in December, deepens and spreads, unemployment will rise, demand will shrink and some deflationary forces will begin to work. Things will be worse for Europe and Japan and could possibly turn a modest worldwide recession into something more serious. This eventuality should not be ignored in planning, it said, even though the probability is a low 15 per cent chance out of 100.

## New issue bond table

ISSUE	TYPE	AMOUNT	DATE DUE	CALL FEATURES	RATING	SYND. MANAGER	COUPON (%)	DATE OF OFFERING	OFFERING YIELD	Market Yield Bid' 1-4
Anheuser-Busch, Inc.	Debs.	\$100,000,000	2-1-99	N-C 2-1-84	Aa(M)AA(S&P)	DR	7.95	1-29	7.95	7.92
Baltimore Gas & Electric	Bonds	\$75,000,000	2-1-2004	N-C 1979	Aaa(M)AA(S&P)	FB	8-1-8	1-28	8.15	8.15
Bankers Trust NY Corp.	Debs.	\$100,000,000	1999	N-C 1984	Aaa(M)AAA(F)	LB	8-1-8	1-16	8.1-8	8.10
Burlington Northern Inc.	Bonds	\$60,000,000	1999	N-C 1984	A(M)(S&P)	MS	8.60	1-15	8.60	8.50
Commercial Credit Co.	Bonds	\$75,000,000	1-15-81		A(M)(S&P)	KP	8	1-24	8	7.99
Florida Power & Light	Bonds	\$125,000,000	1-1-2004		Aa(M)A(S&P) AA(F)	RED	8-1-2	1-17	8.44	8.43
Ford Motor Co.	Debs.	\$60,000,000	1-15-94	N-C 1974	Aaa(M)AAA(S&P)	GS	7.85	1-16	7.85	7.84
Ford Motor Co.	Notes	\$100,000,000	1-15-80	N-C 1-15-79	Aaa(M)AAA(S&P)	GS	7.40	1-16	7.40	7.39
Gen. Tel. of the Southeast	Bonds	\$30,000,000	2004		A(M)(S&P)	SB	8.25	1-31	8.30	8.30
Georgia Power Co.	Bonds	\$150,000,000	1-1-2004	N-C 1-1-79	A(M)(S&P)	MS	8-5-8	1-21	8.60	8.53
Houston Lighting & Power Co.	Bonds	\$100,000,000	2004	N-C 1979	Aaa(M)AAA(S&P)	LB	8-1-8	1-30	7.97	7.97
Idaho Power Co.	Bonds	\$35,000,000	1-15-2004	N-C 1979	Aa(M)A(S&P)	ML	8-3-8	1-16	8.32	8.33
Johns-Manville Corp.	Debs.	\$75,000,000	2004	N-C 1983	Aa(M)AA(S&P)	MS	7.85	1-10	7.85	7.92
Macy Credit Corp.	Debs.	\$50,000,000	1-15-82	N-C 1-1-81	A(M)(S&P)	LB	8	1-23	8	8
Mercantile Bancorp. Inc.	Debs.	\$40,000,000	2004	N-C 1984	Aa(M)AA(F)	FB	8-1-2	1-17	8.50	8.49
NY State Elec. & Gas	Bonds	\$60,000,000	8-1-81		Aa(M)AA(S&P)	HS	7-5-8	2-6	7.50	7.50
Northern States Power	Bonds	\$75,000,000	1-1-2004	N-C 1-1-79	Aa(M)AA(S&P)	MS	8-3-8	1-14	8.33	8.22
Philadelphia Electric	Bonds	\$125,000,000	2004	N-C 1-1-79	Aa(M)AA(S&P)(F)	FB	8-1-2	1-16	8.42	8.40
Public Service Co. of IN	Bonds	\$50,000,000	2-1-2004	N-C 2-1-79	Aa(M)AA(S&P)(F)	FB	8	2-4	7.97	7.97
Public Service Co. of OK	Bonds	\$35,000,000	1-1-2004	N-C 1979	Aa(M)AA(S&P)	MS	8.25	1-23	8.25	8.17
Security Pacific Corp.	Notes	\$150,000,000	1982	N-C 3-1-81	AAA(F)	FB	7.70	2-5	7.70	7.70
Tampa Electric Co.	Bonds	\$50,000,000	2004	N-C 1-15-74	Aa(M)AA(S&P)(F)	S&W	8-1-2	1-15	8.40	8.32
Tenneco Inc.	Bonds	\$100,000,000	1994	N-C 2-1-84	Baa(M)BBB(S&P)	S&W	9	1-21	8.95	8.89
Tenn Valley Authority	Bonds	\$100,000,000	1-1-99	N-C 1-1-79	Aaa(M)AAA(S&P)	FB	8.05	1-22	8.05	8.04
Texas Oil & Gas	Bonds	\$35,000,000	1994	N-C 2-1-84	A(M)(S&P)	KL	8-1-4	2-5	8.25	8.25
Union Electric	Bonds	\$70,000,000	2004	N-C 2-1-79	Aa(M)A(S&P)	FB	8-3-8	2-5	8.22	8.22
U.S. Gypsum	Debs.	\$75,000,000	1-1-2004	N-C 1-1-84	Aa(M)AA(S&P)	KP	7-7-8	1-23	7.918	7.93

N-C - Not Callable

## Security Salesman's Corner

By John Dutton  
Special to the Chronicle

Several weeks ago the second largest retail securities firm in this country announced it was quitting business. Losses were so heavy and the outlook so unfavorable that this huge firm with over 4,000 employees and with offices from coast to coast decided to liquidate while it was still solvent.

I ought to know a few things about liquidations and mergers of stock brokerage firms. I have had the dubious distinction of being associated with five investment firms that moved out from under my customers and from me.

Every time this happened I was able to reassure my customers that their securities and cash balances were properly safeguarded but their hide is becoming pretty sore and bruised by this time. Four of these firms were members of the New York Stock Exchange and one was a well known regional investment firm.

How much more of this sort of thing can the public take and still have confidence in the brokerage business, the New York Stock Exchange, or the Securities and Exchange Commission? When my daughter heard about this last change in my employing firm she asked me, "Daddy, how did they ever hire you? You've such a bad employment history. You have been with five different firms in about the last ten years and you haven't even moved your desk?"

The expenses involved in operating a retail brokerage business are skyrocketing. Commission rates have also been raised to a point where it is no longer feasible to justify further increases. The quality of clerical help is deteriorating partly because of enforced and coercive government agency pressure to employ unqualified people in order to meet with quota standards of the Equal Employment Opportunity Act. Further, relative unattractiveness of the tenure and wage scales in the securities business, as compared with employment opportunities elsewhere, is detrimental to its viability.

Fixed costs are moving upward when leases and renewals of expensive contractual services are consumed. Interest charges on borrowed capital are also moving upward, while all types of insurance and increasing demands for electronic services are steadily moving higher.

During this long period of continuing losses in the investment business the politicians have been preparing a new set of laws and regulations that they think will bring a revival to the securities business. They propose an expensive consolidated tape that will merge all transactions in the over-the-counter market with that of the various exchanges.

It is their conviction that the small investor will then come back to the stock market because they say he will have more confidence that his order will be executed in an improved manner.

Another suggestion they make is that the present commission scale

should be disbanded, and that every firm should compete for business on the basis of competitive rates. This, in brief, they also believe will help to cure the unprofitability of the securities business.

I will make a prediction that all these far out and nonsensical proposals will accomplish is to increase the fixed costs of operating a brokerage firm out of all proportion to their potential benefit, if any.

The reason small speculators and a few investors have moved away from speculative stocks is that they got burned in 1968-69 with hot new issues, and by trying to trade in high risk securities. This is nothing new. It has happened before because many people are compulsive gamblers and if they can't win in the stock market they try the race track, betting on sporting events, or the wheels of Las Vegas.

The reason many small investors are out of the brokerage offices these days is that they, too, are nursing paper losses. They also have no confidence in the ability of the firms in which they invest to make profits when the penalties by the government on profit-making are being trumpeted from the housetops by sundry politicians, catering to the economically illiterate voters who they hope will vote for them come the next election.

The capital gains tax is another monstrosity contrived by the government that is destroying risk investment in the stock market. Such items as a consolidated tape, or competitive commission rates have about as much to do with the revival of investment confidence in this country as the Securities Exchange Commission has to do with operating the space program.

Instead of more advice from Washington, isn't it about time to tell these sundry know-it-alls that what we have today is a national problem? That should not be difficult to accomplish. The cure for the low state of investor confidence will not be found by tinkering with the mechanics of security marketing and distribution that has been built into the finest system in the world - but in Washington D.C.

When the Congress shows some inclination to stop deficit financing and establishes honest money, when the dollar begins to recover some buying power, and when most of the government agencies are cut down to a size where they are no longer a potential threat to the entire free enterprise system in this country, then, and then only, will you see a true revival of investment and prosperity in this nation.

## NYSE seeks breaks for foreigners

The New York Stock Exchange last week urged the government to make U.S. securities more attractive to foreign investors by repealing withholding taxes on dividends and interest paid to foreigners.

## Man in the street

Continued from page 4

to form combines. They want to compete with each other, anyway." Perhaps he is right. But if he is wrong, and orderly markets are no longer required in trading, the lure of combines for purposes of manipulating prices appears manifest.

In addition, the right of the market maker to walk away from any deal he cares to, even allowing for other market makers to take up the slack, could tend toward narrowing, rather than broadening the market's base. Weeden states positively that many market makers make for more capital in the market and thus more liquidity and depth. It is obvious, with the volume of trading today, that this is necessary. And the Third Market has supplied the additional capital.

Weeden, among others, is willing to supply this additional capital. He believes that opening up the market maker's operation to any qualified person (qualified on the basis of capitalization and knowledgeability) will act in a salutary way on the market in general.

The cost of risk capital has taken its toll at Weeden & Co., During the past year the company lost \$3,754,000 due both to the high cost of money (they borrowed \$5,000,000 in Subordinated Notes at 9.25 per cent) and lower trading volume. In 1972 their profits dropped to \$2,906,000 from \$5,796,000 the previous year.

The stakes are high in the battle over the establishment of the broad tape, the first step in a Central Market System. The N.Y.S. E. by demanding that people using the tape must abide by the same rules that are required at the Exchange, is undoubtedly set on a collision course with Third Market members. Weeden is one member who will not and cannot tolerate this.

### BRITISH-AMERICAN TOBACCO COMPANY LIMITED

#### NOTICE OF DIVIDENDS TO HOLDERS OF ORDINARY AND PREFERENCE STOCK WARRANTS TO BEARER

Notice is hereby given that the Directors in their Annual Report have recommended to the Stockholders the payment on 1 April 1974 of a Final Dividend for the year ended 30 September 1973 of 3.78p per 25p of Ordinary Stock. A first Interim Dividend for the year ending 30 September 1974 of 3.0p per 25p Ordinary Stock has also been declared payable on 1 April 1974. To obtain these dividends (subject to the Final Dividend being approved at the Annual General Meeting to be held on 21 March 1974) holders of Ordinary Stock Warrants must deposit Coupon No. 272 with Morgan Guaranty Trust Company of New York, 33 Lombard Street, London, EC3P 3BH, for examination five clear business days (excluding Saturdays) before payment is made.

Both dividends will be paid against the deposit of Coupon No. 272.

The half-yearly dividend on the 5% Preference Stock for the year ending 30 September 1974 will, in accordance with the provisions of the Finance Act 1972, be paid at the rate of 1.75% on 30 March 1974. Coupon No. 141 must be deposited with Morgan Guaranty Trust Company of New York, 33 Lombard Street, London, EC3P 3BH, for examination five clear business days (excluding Saturdays) before payment is made.

Coupons will be accepted for deposit on or after 4 March 1974.

BY ORDER OF THE BOARD  
P. J. RICKETS

Secretary.

Westminster House,  
7 Millbank, London,  
SW1P 3JE.  
5 February 1974.

### BRITISH-AMERICAN TOBACCO COMPANY, LIMITED

THE FOLLOWING STATEMENT HAS BEEN MADE

BY THE SECRETARY

1. At a meeting of the Directors held today, it was decided to recommend to the Stockholders at the Annual General Meeting, which will be held on 21 March 1974, the payment on 1 April 1974 of a final dividend for the year ended 30 September 1973 of 3.78p making for the year the equivalent under the new taxation system of 9.555p (1972 equivalent under the new taxation system 9.1p) per 25p unit of Ordinary Stock. Under the previous taxation system the 1973 distribution is equivalent to 13.65p (1972 13.0p gross) per 25p Ordinary Stock unit.

But for the Government's counter-inflation legislation the Board would have recommended a higher distribution.

The Directors have also declared a first interim dividend for the year to 30 September 1974, also payable on 1 April 1974, at the rate of 3.0p (1973 equivalent 2.275p) per 25p unit of Ordinary Stock.

2. The results of the Group's operations are summarised below.

	Year to 30 September	
	1973	1972
	£ millions	
Trading Profit .....	217.21	160.29
Investment Income .....	32.45	15.13
Operating Profit .....	249.66	175.42
Interest Paid .....	19.73	13.86
Profit before taxation .....	229.93	161.56
Taxation .....	102.17	71.25
Profit after taxation .....	127.76	90.31
Attributable to Minority Shareholders in Subsidiaries .....	16.49	12.32
Net Profit attributable to BAT .....	111.27	77.99
Retained in Replacement Reserves .....	18.50	15.00
	92.77	62.99
Retained in Other Reserves .....	65.53	31.52
Dividends of BAT .....	27.24	31.47

3. The dividends of BAT comprise:

	1973		1972	
	£ millions		£ millions	
Preference .....	.45		.58	
Ordinary — per 25p Stock Unit				
2.275p Interim dividend paid gross—				
3.25p 2 April 1973 .....	8.27			8.91
3.500p Interim dividend				
paid 1 October 1973 .....	8.90			8.91
3.780p Final dividend				
proposed payable 1 April 1974	9.62	26.79	13.07	30.89
9.555p .....	27.24		31.47	
(9.1p — 1972 equivalent under new taxation system)				
Earnings per Ordinary Stock Unit .....	44.2p			32.6p
Fully Diluted .....	42.6p			32.2p

4. The analysis of Group Turnover by industry is as follows:

	1973	1972
Tobacco .....	2162.1	1795.8
Retail .....	334.1	
Paper .....	230.3	171.6
Cosmetics .....	46.2	41.2
Other Activities .....	35.0	28.9
	2807.7	2037.5
Duty and Excise included in Tobacco Turnover .....	1280.6	1023.9

5. Because of the increased significance of income from trade and other investments it is considered appropriate to give an industrial analysis of Group operating profit comprising trading profit and investment income.

	1973		1972	
	£ millions		£ millions	
Tobacco .....	193.7			159.3
Retail .....	12.9			
Paper .....	18.7			6.0
Cosmetics .....	2.5			1.2
Other Activities .....	21.9			8.9
	249.7			175.4

6. The taxation charge comprises:

UK Corporation Tax .....	55.36	33.27
Less Double Taxation Relief .....	46.29	33.67
	9.09	(.40)
A.C.T. written off .....	4.36	
	13.45	(.40)
Less Overspill Relief .....	1.54	1.52
	11.91	(1.92)
Overseas Taxation .....	90.26	73.17
	102.17	71.25

7. Tobacco: There was marked growth in turnover and operating profit in most countries. Once again the performance in Brazil was outstanding. Brown & Williamson in the U.S.A. and Intervarsa in Germany more than maintained their market shares and increased their profits in highly competitive conditions. In the remainder of Europe and in Asia and Africa turnover and profit improved.

8. Retail: The turnover and trading profit relate only to periods since acquisition. They cannot be taken as indicative of the results of a full year's trading of the subsidiaries in this industry acquired during the year. The 1972 dividend on the investment in Morten AG is included in the operating profit.

9. Paper: The growth in demand for paper and packaging products continued through the year both in U.K. and Europe and elsewhere overseas. Turnover and profits improved in most places.

10. Cosmetics: The Group's interests in the industry had an encouraging year in most parts of the world, although Yardley of London Inc. still has problems. The performance of Yardley and Letheric Morny in the U.K. was particularly noteworthy.

11. Other Activities: This heading includes interest on cash resources to distinguish this income from the profits of the four main industrial activities although a proportion is derived from funds only temporarily surplus to their needs. 1972 figures have been adjusted to conform. Excluding the interest element the Other Activities showed a reduced loss arising from improved results from Vita Foods.

12. The effect of changes in exchange rates between the beginning and end of the financial year was to increase the sterling equivalent of BAT's interest in Group Net Profit by £9.3 million. The changes also resulted in an increase of £40.58 million (1972 £11.93 million) in the sterling equivalent of BAT's interest in net assets of overseas Subsidiaries at the beginning of the year and this sum has been taken direct to reserves.

13. If the payment of the final dividend is confirmed transfers received in order by the Registrar of the Company, Lloyds Bank Ltd., Registrar's Department, The Causeway, Goring-by-Sea, Worthing, Sussex, up to 4 March 1974 will be in time to be passed for payment of the final and the interim dividends to the transferees. In the case of Bearer Warrants, both dividends will be paid against the deposit of Coupon No. 272.

14. It was decided to pay on 30 March 1974 the half-yearly dividend due on the 5% Preference Stock which, in accordance with the provisions of the Finance Act 1972, will be paid at the rate of 3.5% per annum. Transfers received in order by the Registrar of the Company up to 1 March 1974 will be in time to be passed for payment of this dividend to the transferees. In the case of Bearer Warrants, the dividend will be paid against the deposit of Coupon No. 141.

15. It was decided to pay on 30 April 1974 the half-yearly dividend due on the 4% Preference Stock which, in accordance with the provisions of the Finance Act 1972, will be paid at the rate of 4.2% per annum. Transfers received in order by the Registrar of the Company up to 2 April 1974 will be in time to be passed for payment of this dividend to the transferees.

P. J. RICKETS  
Secretary.

5th February 1974

# Financial News Digest

**In Barron's**

## ECM weapons are hot items

Feb. 4, p. 5— Get more bang for the buck, electronically. Or, Buck Rogers and the ray gun have come of age. No matter how you look at it, the hottest item in weaponry is ECM equipment. They are talking about lasers and death rays, mostly on a hush-hush basis.

It's a science-fiction story in real life, and not only the U.S. is experimenting with laser-directed death rays. The Soviets are working on it too.

The navy has selected TRW Inc., to supply a laser for shipboard testing for a radiation weapon. TRW recently operated a chemical laser at an undisclosed location. Tests showed (you have to fill in your own conclusions), that a shipboard laser is capable of delivering several times the energy required. . . (required to destroy a target?)

The Pentagon says: "The Department of Defense is pursuing a high-energy laser research program to investigate potential use of all types of lasers in a variety of military applications, including weapons."

Says TRW executive veep, Richard Delauer, "The important thing is to recognize that the Russians are coming. We must maintain technological superiority, and the only way to get more bang for the buck is to go electronic."

Defense Department spending for laser research in the current fiscal year will be about \$82.6 million.

The multibillion dollar procurement program for which Congress is being asked to push appropriations, primarily involves weapons systems such as the Rockwell International B-1, and the McDonnell Douglas F-15.

It is estimated that outlays for electronic counter-measures (ECM) equipment alone last year ran to \$1250 million,

possibly to double over the next four years.

Companies involved in one way or another include the following: Raytheon, E-Systems, Westinghouse, Sylvania (GTE), AIL Div., Outler-Hammer, Avco, Fairchild Industries, RCA, Magnavox, Itel, Dalmo Victor Div., Textron, Philco-Ford, Litton, Northrop, Loral, ITT Avionics, Major suppliers of components include: Watkins-Johnson, Teledyne, Bunker Ramo and General Instruments.

**Also in Barron's**

MARKET—Final decline in the stock market is seen, then a new upsurge will follow, says Barton M. Biggs of Morgan Stanley, subject of an interview. The firm has just started to build an institutional research staff headed by Biggs. He says the energy crisis is less severe than was expected, sees good buys in Xerox, McDonald's, Tampax, Digital Equipment—at the right time. . . . p. 3

RAILROADS—Reorganization of the Penn Central and six other bankrupt northeastern railroads, is seen as a great rip-off, a Pandora's box car of bonanza for the brotherhoods, a threat to lines without subsidies. Shareholders have been wiped out and creditors got a small package of securities of dubious value. . . . p. 5

MUTUAL FUNDS—In the close of 1973 the average fund was down nearly 20 per cent, better than most portfolios did, but less than the Dow Jones Industrials, and Standard & Poor's. Redemptions were \$1.3 billion over sales. Named: Money Market Management, Reserve Fund, Capital Preservation Fund, Dreyfus Liquid Assets Inc., Putnam Management Co., Wall Street Fund, Value Line Special Situations, Revere Fund, Heritage Fund, Apex Fund, Edie Special Growth Fund, Keystone Custodian's Series S-4, Rowe Price New Horizons Fund, Pilgrim Fund, Edie Special Institutional Fund, Newton Fund, Scudder Special Fund, National Securities Growth Fund, and Herold Fund. . . . p. 9

PIGGYBACK—Loading trailers onto flatcars and transporting them across the country got a big push from the fuel shortage. It may account for 15 per cent of all rail freight by the end of the decade, and ultimately to 25 per cent. Named: Cooper Jarrett Inc., Fruehauf Corp., Interway, Xtra, Transport Pool, Flexi-Van, Hudson Leasing, Vermont Railway, Intermodal Transportation Systems Inc., Burlington Northern, Santa Fe, Union Pacific, Erie Lackawanna, Chicago North Shore & Milwaukee, . . . . p. 11.

GRAIN—Peavey Co., a fast-growing miller, is heading for its fifth straight record, with a 73 per cent gain in the first quarter, or earnings of \$1.09 vs. 63 cents. Peavy buys, sells and stores grain in 100 country elevators, 10 terminal elevators in this country, and 200 elevators in Western Canada. . . . p. 37

HOGS—It's a matter of living high off the hog for Oscar Mayer & Co., which will cash in on stable prices for higher earnings, for the second year in a row, probably to \$2.50 a share. The meat packer operates 41 distribution centers, with processed meats in 1973 accounting for 67 per cent of sales. Named: Dow Chemical, Venezolana Empacadora CA, Prima Meat Packers Ltd, Kartridge Pak Co. . . . p. 41

**In Newsweek**

## The great grain robbery

Feb. 11, p. 76— We sold the Russians wheat at \$1.65 a bushel in 1972. We are going to run short of wheat this year. Of the wheat we sold to Russia, 30 million bushels haven't even been shipped to them yet. They are fully aware of our problem. You know what they did? They graciously offered to sell us our wheat back for \$5 a bushel. Nice deal. For them.

Senator Henry Jackson calls it something else; "The great grain robbery of 1972." The Russians will not have to lift a finger except to rake in their \$100 million profit in the event that we buy our grain from them.

The sellback offer came from Vladimir S. Alkimov, Soviet Deputy Foreign Minister of Trade in New York last week, meeting with businessmen to discuss East-West commerce. He later denied it, said it was all a "complete misunderstanding." Reporters who heard him the first time thought otherwise.

The fact remains, however, that the U.S. does need wheat, with reserves falling in heavy world demand. Exports may get to 1.2 billion bushels by June 30. The domestic crop may not be able to fill the needs for 1974. We've only got a reserve stock of 178 million bushels. We had 863 million bushels before the Russians got it in 1972.

Senator Jackson roared what others were thinking: "The whole thing is an outrage."

**Also in Newsweek**

OIL—Never before has any industry come under such ferocious attack (except possibly in the depression) than Big Oil in the energy crisis. At least two dozen investigations are underway by Congressional and state probers. "Oil is on the ropes," said Sen. Thomas McIntyre of New Hampshire. "All the goodies we gave them over the years are beginning to show up." Named: Arabian American Oil Co., Exxon, Texaco, Gulf Oil, Mobil Oil, Standard Oil of California, Standard Oil of Indiana, Shell Oil, Atlantic Richfield, Hudson Oil Co. . . . . p. 75

BRITAIN—The threat of the coal miners' strike could cripple the nation, which has already had quite a share of stiff upper lipism. British Steel Corp., the nationalized producer, would have to cut steel output to zero, and a prolonged depression could result. The forecasts were gloomy. The stage was set for another Battle of Britain, one in which there will be no winner. . . . . p. 35

KOSHER—People flying in airplanes have a penchant for kosher food, be they Jew or gentile. The calls are getting louder for lox and bagels, kosher brisket of beef and stuffed cabbage. Are these meals any better than standard airline fare? No, say the airlines. Named: Western Airlines, Madan Foods Inc, TWA. . . . . p. 59

**In The C & F Chronicle**

OIL PROFITS—The oil industry hasn't reached the peak of profits yet. They may be higher this quarter, and probably next. The average profit increase for the four American partners in the Arabian American Oil Co., averaged 72.8 per cent. Named: Exxon, Mobil, Texaco, Standard (California), Phillips, Standard (Ohio). . . . . p. 1

ANTIQUES—Here is an investment different in nature than securities, but which can offer higher percentages of appreciation over the long term. This market has risen steadily in the last ten years, outstripping the Dow Jones averages. . . . . p. 1

FEDERAL RESERVE—The Fed is seen as being in the hip pocket of the banks it's supposed to regulate, according to Cong. Wright Patman, chairman of the House Banking and Currency Committee. He thinks they have too much power. The banks are rendering the Fed ineffectual by defecting. . . . . p. 5

TRADING—Insider trading is a new feature started this week, containing reports compiled by the SEC in Washington. . . . . p. 8

TREASURY—The market had much buoyancy last week. Treasury bills rates dropped sharply. More prime rate reductions to 9 1/2 per cent by more banks accounted for new vigor in these bills. p. 8

BONDS—Strength returned to the municipal bond market last week after six weeks of declines. New long term bonds amounted to \$140 million compared to \$742 million the previous week. . . . . p. 8

**In Forbes**

## 3M challenges Xerox copiers

Feb. 1, p. 30— For Minnesota Mining & Manufacturing Company, the going has been slow, turtle-like in comparison to its hare-like competitors. But, says its president, Ray Herzog, 3M is going after a much larger portion of the 10 per cent of the copier market it now has. It's number two with \$195 million sales behind number one Xerox with 60 per cent of the market and \$1.5 billion in sales.

It isn't the copiers themselves, but what they lead to that attracts Herzog. The copier installed in an office is your calling card to put in a lot more such as facsimile transmission, computer input and output, microfilm, paper products, tapes, electronics and photographic systems.

He has no doubt that his company will succeed. Only the degree of success is open to speculation.

Three M has 47,000 products and a five-year average return on equity at 20.2 per cent, compared to 26.3 for Xerox. 3M is strong in the coated paper copying machines market, but that area has already passed its peak, but the company has the largest number of copiers in the business, with 15 models compared to nine for Xerox. And with a plain paper machine its capacity is three times that of any other copier.

## The Digest

The Chronicle "Financial News Digest" is a regular weekly feature and is edited by J. Robert Sherman. Each week major articles dealing mainly with finance and business news, along with other pertinent information, are condensed to keep our readers informed about what other leading publications have mentioned. Feature articles of special significance are headlined. The Chronicle's editors urge you to refer directly to the publications from which the condensed items are derived if you desire total context and entire content.

- The "Financial News Digest" condenses:
- American Banker
- Barron's
- Business Week
- Commercial & Financial Chronicle
- Dun's
- The Economist
- Financial Weekly
- Financial World
- Forbes
- Fortune
- Harvard Business Review
- Institutional Investor
- Investment Dealers Digest
- The Journal of Commerce
- Money
- The Money Manager
- Newsweek
- Over-The-Counter Chronicle
- Personal Business Digest
- TIME
- U.S. News & World Report

## In Business Week

## The troubles of oil companies!

Feb. 2, p. 50— While big oil laments the public and Congressional reaction to their gargantuan profits in 1973, they nevertheless insist that they must continue to reap big profits—"windfalls" to some—in order to develop new resources of oil and gas. And it appears now that they have turned the bulk of their search for new energy to domestic potentials.

Some oil company executives are saddened that they were not alert to the slow rise of the liberals to control of Congress, that they no longer have the likes of Sam Rayburn and Lyndon Johnson to turn to, people who understood them.

The oils, enjoying the greatest profits in the history of industry in the world, have managed to create the worst image in American business among the nation's consumers, and have Congressmen breathing down their necks to curb their power and profits.

They apparently have come to the conclusion that they must abandon their public-be-damned attitude and stop talking only to each other. In fact, they are spending plenty of time nowadays at media interviews. They held press conferences to explain their profits. Criticism continues hot and heavy, along with threats to the industry as it now exists.

One of the greatest threats would come from proposed legislation that would change its structure and make it more competitive. Critics now point to all of the actions of oil companies in concert as being anti-competitive, want to set up a federal oil and gas corporation that would give free leases to explore for oil which, if produced, would go to independent refiners. Said its sponsor, Sen. Adlai E. Stevenson III (D-Ill), "If the oil industry had any sense, it would support the bill and head off utility regulation." He says he wants the oil lands developed for the people, not just the oil industry.

In the last several years, oil exploration in the U.S. has stagnated, while it has boomed overseas. Now, however, with the higher oil prices, there may be a boom in domestic exploration. Oil prospects at the former \$3.50 a barrel were not very enticing, but the picture has changed with \$10-a-bbl. oil. Edward Walker, executive vice president of Gulf, said, "This could be the biggest boom in oil exploration that this country has seen."

Harry Bridges, Shell president, said that "With these prices, everyone is taking risks that three years ago they never would have taken."

Drilling has been revived dramatically in this country, the greatest since the mid-1960s, with another 25 per cent increase expected this year. Domestic independent oil producers are getting a new lease on life. In 20 years they fell away from 20,000 to 8000. Said Joseph C. Walter, Jr., president of Houston Oil & Minerals Corp., "The Arabs gave us an oil price that our own Congress would never have given, we're no longer dying on the vine."

The oil industry's problem of finding new capital for exploration and development may have been solved by their hefty 1973 profits.

Said Shell Oil Corp.'s Bridges, "A year ago we were cutting each other's throats in price wars while crude prices were being held down by cheap foreign oil. It's incredible that in one year those pressures are turned all the way around. Our financial concerns have evaporated."

But Mobil's Rawleigh Warner, Jr., and others don't agree, think profits in the future will have to be even greater than 1973's, which are not quite as high as they would like to see them.

Critics counter, as did Lee C. White,

former chairman of the Federal Power Commission, "Those guys are like horses that don't know how to stop when the race is over."

## Also in Business Week

## Financing for big projects

Feb. 2, p. 59— Utilization of indirect credit is the way to get funding for big projects, such as the \$900 million hydroelectric facility, largest in North America at Churchill Falls, Labrador. The owners couldn't put together the financing, so Morgan Stanley, did it for them.

The owners are British Newfoundland Corp. and Rio Tinto Zinc Ltd. The idea is to raise money on what the eventual product will be, not on the basis of the project owner's credit. Sort of like betting on the egg instead of the chicken.

This project will supply power to the Quebec Hydro-Electric Commission, which was enough for Morgan Stanley to get \$550 million through private placement. The owners came up with only \$83 million.

The foregoing is ancient history, having happened five years ago, since there are many such project financing deals underway today. They include the \$5.5 billion Canadian-Arctic Gas Pipeline; the Trans Alaska Pipeline at \$4 billion, and the \$500 million Louisiana Offshore Oil Port.

Working on deals are Morgan Stanley, the leader with \$20 worth; First Boston Corp., working on \$10 billion in project financings, and Dillon, Reed & Co., a contender. More than \$900 million is being handled by Morgan Guaranty Trust Co. of New York, and two British banks, for British Petroleum for their North Sea "Forties Field" petroleum project.

Most of the project financing has been done in the energy field, but the techniques could be used for any big-time project. The only hitch is that you have to find someone to sign a contract to buy whatever product comes out of the project. Contracts get lenders, and product sales service the debt.

An example is the Louisiana Offshore Oil Port, sponsored by 16 oil companies, indirect credit supports. They include Gulf Oil, Texaco and Exxon Pipeline. They will ship enough oil through the facility to service the debt, otherwise they would pay off the debt directly.

## Also in Business Week

INFLATION—The biggest economic concern for the Administration is inflation, according to Pres. Nixon's Council of Economic Advisers who advise a sit-tight posture during the first half. Predicted: GNP, up 8 per cent, with real growth only 1 per cent; 7 per cent inflation against 5.3 in 1973; unemployment, 5.5 compared to 4.9 in 1973. . . . p. 17

COTTON—Textile men, fearing a big shortage this year, are breathing easier now that shippers find they can't move 6 million bales to overseas buyers, hence, the U.S. domestic shortage may only be around 300,000 bales less than that figure. The big overseas buyer is Japan. Plus, some 14.5 million acres of cotton may be planted in the U.S. this spring, 17 per cent more than last year. Farmers are optimistic. The overseas shipping problem is also blamed on the energy crisis and warehouse space scarcity. . . . p. 20

WHEAT—Pres. Nixon lifted wheat import quotas for the first time in 30 years,

and the U.S. may start importing wheat from Canada and Russia. But the White House denies that a wheat shortage is in the offing. A shortage of course, would be greatly embarrassing to the Administration, which badly bungled the Russian wheat sale last year. Exports are such that reserve stocks have been dwindling. . . . p. 21

DOUBLE THE PLEASURE—American Home Products Corp., has become the largest single stockholder of Wrigley chewing gum. The latter could become a part of the conglomerate if the Wrigley family ever chooses to sell out. American Home's sales last year were \$1.9 billion with net income of \$199 million. Wrigley intentions are not really known, as they treasure their privacy. . . . p. 23

MINI-BUSES—Makers of mobile homes, slowed almost to a halt in the energy crunch, are making small versions of their motor homes in hopes of a new, unproved market for medium-size buses. Named: General Motors, Fleetwood Enterprises Inc., Winnebago, Sheller-Globe, Apeco, 3M Co., N.D. Lea & Associates, Flexible Co. . . . p. 23

LITTLE CADDY—It's rumored in Detroit that General Motors is experimenting in an effort to produce a mini-Cadillac that will give 15 to 20 mpg in stop and go traffic. They are said to be testing with a compact body and an Olds V-8 engine and the 1975 catalytic converter. The Cadillac people would like to see the car introduced next September. . . . p. 24

GAS—Production tests of the controversial natural gas well, Rio Blanco, in Western Colorado, are underway. The well was created last May by nuclear blasts by CER Geonuclear Corp., Equity Oil Co. The well may have 300 trillion cu. ft. of gas trapped within the Rockies. . . . p. 24

INVESTMENTS—Texas Democrat Sen. Lloyd Bentsen is pushing ahead with proposals in Congress to curb the powers of banks that manage most of the nation's \$200 billion worth of pension funds. Named: Irving Trust Co., . . . p. 26

MERGER BID—Negotiations are in progress by Coca-Cola Co. to take over its largest franchisee, Coca-Cola Bottling Co. of New York, in a tax-free stock exchange. The bottling stock fell from \$28 to \$8 in a year, which may be responsible in part for the action. The merger will also give the franchiser entry into the wine industry, since the bottler markets Mogen David and other wines. . . . p. 29

STEEL—For patent infringements, Jones & Laughlin Steel Corp. must pay damages to Kaiser Industries Corp. by order of a Pittsburgh court. Also named: U.S. Steel. . . . p. 29

OIL PROFITS—Standard Oil Co. (Ohio) had less profit than most oil giants, only gained 24 per cent over 1972. Bookkeeping reduced fourth-quarter profits by \$9 million. . . . p. 29

AIRCRAFT—Iran has all but signed on the dotted line for \$1 billion worth of 53 McDonnell Douglas F-15 Eagle interceptors. This comes right after Iran also announced purchase of 30 F-14 Tomcat fighters from Grumman at a cost of \$900 million. These sales will stretch out per-plane costs and give the Defense Department more flexibility to get Congress to approve some 300 F-14s and 700 F-15s. . . . p. 30

PENSION FUNDS—Multinational companies are being pursued by internationally oriented money managers in

the booming new market of pension funds management. Named: Monsanto Europe, International Business Machines, General Motors, Ford, John Hancock, Hewlett-Packard, Gillette, Swiss Life, Dart Industries, Polaroid, Control Data, Honeywell, Lombard, Odier bank; Morgan Guaranty, Lionel D. Edie, Capital International, Chase Manhattan, Capital Group, Aetna Life & Casualty. . . . p. 32

CAPITAL EQUIPMENT—The Chinese are expected to buy \$19.6 million worth of mining equipment from Bucyrus-Erie Co. of South Milwaukee. China signed a letter of intent, wants 42 pieces for coal and iron ore mining. Named: National Intern Corp. of America, Reed Tool Co. . . . p. 33

UTILITIES—The energy crunch has cut use of electric power by 10 per cent below expectations, causing a decline in revenues faster than costs, cutting profits. Some seek higher rates, which would cut demand and further eat away at revenues. Economists see a coming drop in power demand, utilities are rethinking situation. . . . p. 35

NEW PRODUCT—Apeco Corp., a company of many products, is ready to introduce yet another one, this time a small bus that it thinks can be used in shopping centers and communities with its 17-passenger capacity. Named: Minnesota Mining & Manufacturing Co., Xerox, Cascade Data Inc., Van Dyk Research Corp., Litton Industries Inc., ITT, Syntex Corp., University Computing Co., Winnebago Industries Inc. . . . p. 41

FOOD—Ward Foods Inc. is doing fine under the leadership of chairman, president and CEO William P. Howlett, former chairman of Consolidated Foods Inc. Ward had fallen on hard times before Howlett arrived, had sales of \$405 million in 1973, breaking even, expect to show a profit from now on out. Named: Beatrice Foods, W.R. Grace Co., General Baking Co. . . . p. 45

FLORIDA TOURISM—The Sunshine State is trying to convince tourists that there is plenty of gasoline, but the shortage is starting to hurt the \$5 billion industry. Businessmen hope to scrape by with only moderate decline. Named: Disney World, Carillon Hotel, Cypress Gardens, Busch Gardens, Eastern Air Lines, National Air Line. . . . p. 74

## In Financial Post

GRAIN, FOOD—Canadians may see an upturn in food prices, and a downturn in grain, especially wheat as it appears that the USSR may not take up grain contracts made earlier with the U.S. And Canada's transportation service couldn't move the wheat fast enough to take advantage of higher prices. . . . p. 1

JOBS—The employees of the Big Four American auto makers in Canada are beginning to feel the crunch now with the announcement of job layoffs: Ford, 3500; General Motors, 950 temporarily, 900 already permanent; Chrysler, 250 temporarily from the Windsor engine plant; 344 preceded them. . . . p. 1

ECONOMY—Canada's economic growth this year, contrary to the bad news about the U.S. expecting a brief recession, is going to reach 5 per cent this year. Before the energy crisis it was higher. . . . p. 1

WHEAT—The Japanese have purchased 35.5 million bushels of wheat for \$200 million from Canada. It breaks down to \$5.65 a bushel. The wheat sale is believed to have raised the value of the C\$ due to the large sum of foreign exchange involved. Thirty three million bushels is to be delivered by the end of July, with the rest in September. . . . p. 2

In Newsworld

## Recession is a definition

Feb. 11, p. 60—What Mr. Nixon said about the possibility of a recession — "There will be no recession in the United States of America" — and what his economic advisers said, are two different things. It really all comes to an expectation of high inflation, little or no economic growth, and much unemployment. The new, more than \$304 billion budget, is supposed to head off a slump.

It would seem that what is recession to some is not recession to others. It all depends on how you look at it and who is doing the looking. For instance, Council of Economic Advisers Chairman Herbert Stein agrees with Nixon, but has a curious qualifier: "But I don't want to be put on the point of saying whether minus one-tenth of a per cent of real activity in the first quarter and minus one-tenth of a per cent of real activity in the second doesn't equal a recession," he said. "It is a matter of broader definition." But what constitutes a recession is not clear in the definition given by the Administration. But it is certain that economic expansion is grinding to a halt in the middle of the energy crisis.

The budget can be called a "supportive" program, since it is not designed to stimulate expansion. It reflects concern over continuing inflation: a low spending level coupled with full employment would result in higher tax revenues, lower unemployment compensation and a government surplus. There would be a deficit in an expansionary budget even with full employment.

Here's a breakdown on getting and spending the dollar: Source individual income taxes, 42 cents; social insurance receipts, 28 cents; corporation income taxes, 16 cents; excise taxes, 6 cents; other, 5 cents; borrowing, 3 cents. Spending: Social Security and other benefits payments, 37 cents; national defense, 29 cents; grants to states, localities, 17 cents; other, 10 cents; interest, 7 cents.

In Financial Post

## Little increase due in newsprint

Feb. 2, p. 1—A big capital spending program is scheduled by Canada's pulp and paper companies in 1974, but none of the \$700 million is earmarked for new mills. Instead, the money will go into modernization and expansion of existing facilities, and for operations including manufacturing and forest products and pollution controls.

They will step up their newsprint capacity this year by only 170,000 tons, reaching a total of 10.3 million tons.

Producers claim poor return on investment doesn't warrant an increase in capacity. They say they need a newsprint price of \$280 to \$255 a ton from the current \$200 a ton.

Companies planning outlays include the following: Consolidated Bathurst Ltd., will spend \$60 million; Domtar Ltd., will spend \$60 million, will increase capacity. Abitibi Paper Co., plans to lay out about \$45 million in 1974, much of it for more newsprint capacity. MacMillan Bloedel Ltd., intends to spend \$100 million, mostly for expansion of operations other than newsprint. It could go higher, for a \$40 million newsprint recycling plant in the U.S., near San Francisco.

In Time

ENERGY—The oil situation eased up some, but the gasoline shortage got worse, as more and more motorists nervously lined up at gas pumps. An unusually warm winter and dedicated public conservation provided the solution to the heating oil problem. FEO czar Simon is trying to get refiners to increase gasoline production by cutting back on such things as heating oil, but they usually shift to gasoline refining in late winter anyway, so he may do nothing. There is also the possibility of rationing. . . . p. 27

OIL SAVER—An inventor in Britain has come up with an odd combination to increase the efficiency of oil to cut its consumption by flames up to 20 per cent in a home heating plant. He blended three parts oil to one part water to do it and as it burned it created little soot or ash. And he got great results with no pollutants when he mixed 18 per cent water with 82 per cent gasoline to run a car. Adelphi University on Long Island is using his process in the boiler rooms of a grade school on the island. And the Nassau County government will test burn oil and water in the county executive center. His Cottell Ultrasonic Reactor is the instrument that does the job. He may have come up with the better mousetrap. . . . p. 31

CAPITAL—Money and investments outside the U.S. were freed from controls last week with the removal of the "interest equalization tax." American corporations are shed of complications governing overseas investments, and banks can go around Federal Reserve Board guidelines to lend money abroad. Good news came from the Commerce Department, which announced that in 1973 the U.S. exported \$1.68 billion more than it imported, the first surplus in three years. In response to the lifting of capital controls, other nations announced that they would follow the U.S. lead. . . . p. 72

CLOTHIER IN TROUBLE—Farah Manufacturing Co., replaced some 2000 strikers, mostly Mexican Americans, who wanted to be represented by the Amalgamated Clothing Workers of America, with nonunion workers, and got blasted severely by a judge who ordered the workers reinstated. The El Paso-based company is one of the nation's biggest makers of men's pants, has lost heavily in sales and reputation across the nation. The company stock price dropped from \$30 before the strike to its current \$5, and four plants have been closed. . . . p. 72

Also in Time

## Coors brews a heady suds

Feb. 11, p. 73—If you are connoisseur of beer, it is safe to say that you know about Coors beer. You will therefore be pleased to know that the head man at the Adolph Coors Co. of Golden, Colo., Bill Coors, expects that by 1990 there will be only three major brewers left in the country, and that Coors will be among them.

Coors is an unusual, if not unique, business operation in many ways. It is one of the few suds makers in the country that doesn't put additives in its beer, doesn't pasteurize it, and has made it in the same plant, from the 70 or 80 underground springs in Golden, since 1873.

The company was founded by Adolph Coors, a German draft dodger. It is his grandson, who runs the company today.

There are plenty of other Coors around the premises. It's strictly a family-owned operation.

They allow their employees to drink beer from strategically-placed kegs, manufacture their own cans. Their plant is almost entirely self sufficient. They use their own waste materials to create their own energy. Expansion is taken care of by a permanent construction crew of 1000 employees. They also tap their own natural gas fields.

Coors beer, which is perhaps the only one kept under refrigeration from the time it is brewed until it arrives at the sales outlet, is pleasing to the palate, lighter, milder, drier, and less bitter than most.

Last year Coors was the nation's fourth largest beer maker after Anheuser-Busch, Jos. Schlitz, and Pabst. Its sales were \$440 million, and it's sold only in 11 Western and Southwestern states.

In U.S. News and World Report

DEFENSE SPENDING—The U.S. isn't at war anywhere in the world, but 30 cents of every tax dollar goes to defense spending, which is at an all-time high. The White House plans to spend \$86 billion on defense this coming year. We are all right for 1974, but the Russians are catching up. . . . p. 22

RECESSION HEAD-OFF—The White House formula for cutting off recession at the pass, sees a downturn for the first quarter, then slow recovery. The idea is to end the downturn as soon as possible, and hope the upturn doesn't boom too big and give more bloat to inflation. . . . p. 26

INSURANCE—All Americans may soon get cradle-to-grave protection as round 2 of the national health insurance battle gets underway. There are many plans; the question is not whether it will come, but only when and in what form. . . . p. 34

OVERSEAS—U.S. companies abroad: in France, Otis Elevator Co., and Transportation Technology Inc., Also General Electric, helping to expand the nuclear industry. In Yugoslavia, Westinghouse Electric, doing engineering work for a \$200 million nuclear power plant. Others include RCA and Copperweld Corp. . . . p. 56

MERCHANTS—Americans sold \$1.7 billion in goods and services overseas in 1973, which made for big gains in earnings. The result has been the sharply increased value of the dollar on money markets, and the removal of restrictions on capital outflows. It is questionable whether the favorable trade balance will last through 1974. . . . p. 69

INSURANCE—No-fault coverage now covers 50 per cent of the nation's drivers, as the new no-fault laws for New York and Nevada became effective Feb. 1, making nine states now covered. Premiums are down and figurss are given for the following: Aetna Casualty, Allstate, Government Employees, Hartford, INA, Liberty Mutual Fire, Lumbermens Mutual Casualty, Nationwide Mutual, State Farm Mutual, and Travelers. . . . p. 72

PROFITS—Most firms reported increases in earnings, and a sample taken by USNWR bids well for the future, at least in a measure of reassurance that the economic slowdown will not exceed 2 per cent. The increase in the last three months of the year, showed an increase of \$1.7 billion in 1973 over 1972. The total of profit for that period of 1973 was \$7.9 billion. . . . p. 85

Also in USNWR

## Nixon reverses pump priming

Feb. 11, p. 76—President Nixon's budget is a complete reversal of a year ago, proposes the largest dollar spending increase since 1943. His budget deficit is the opposite of his former edict against pump-priming.

His prediction: Income \$270 billion, up \$38 billion over 1973.

Outlays are swelled by inflation, are put at \$274.7 billion, an increase of 28.2 billion, so the deficit will shrink to \$4.7 billion this year. It was \$14.3 billion last year.

He said income next year will be up by \$25 billion to \$295 billion; outgo will go over the \$300 billion mark for the first time in history as a rise of \$30 billion carries it up to \$304.4 billion. The deficit at \$9.4 billion.

Incoming tax dollars will continue high; defense spending will be expanded by \$7.1 billion to \$87.7 billion. "Income security" spending will soar, eclipse \$100 billion for the first time, mostly for increased social security benefits for 30 million retired people, survivors, dependents and the disabled.

More money will be spent for health, more for natural resources programs, aids to business and transportation, environment and other areas, including education, veterans, deficit financing.

Major spending cuts will occur in agriculture, with farming at last in robust good health. So farmers will only get \$2.7 billions compared to the \$4 billion they got in 1973.

In Forbes

## Power struggle at Burlington

Feb. 1, p. 22—There seems to be some infighting going on at Burlington Industries, the blue chip of textile companies. But the \$2.1 billion sales company can't afford a power struggle, which may be the symptom of its recent weakness.

It has shown far down in profitability, netted less than 11 per cent on equity and just over 8 per cent on total capital. Among other things, it was late getting into the double knits, which is akin to missing the boat entirely.

The current president is Horace C. Jones, 57, who presides over three very strong-willed vice presidents, the "three princes of Burlington."

They are William A. Klopman, Frank S. Greenberg, and Raymond E. Kassas, who are aware that if the chairman, Charles F. Myers, Jr., retires, Jones would probably move up to chairman and his presidency would be up for grabs. Klopman may have the inside track. He's the son of Big Bill Klopman, who was the New York-based sales manager, who later formed Klopman Mills, taking his son, then a nine-month Burlington trainee, with him. They returned later however, when Burlington took over Klopman Mills.

Klopman's rivals have strong backgrounds at Burlington, both of whom may benefit from the bruised feelings that Klopman has left around Burlington.

As for Jones, he's not an interim president but is running Burlington "in every sense of the word." The need as Jones sees it at Burlington is to establish "an orderly succession of management." Meaning, come in from the wings, young princes.

## In Time

## Defense budget approval seen

Feb. 11, p. 24— President Nixon's budget called for an appropriation of \$85.8 billion for defense spending, which may indicate that the U.S. and Russia may be at the beginning of a new nuclear arms race that could cost many billions of rubles and dollars. That figure, large as it may sound, is actually a modest one. With inflation, it is \$8.7 billion less than was spent in 1964, before the start of the big Viet Nam buildup.

While ways to speed up the arms race are sought by Secretary of Defense James R. Schlesinger, he is also planning to conserve funds by closing down more bases to save \$500 million.

It is expected that Schlesinger's budget will "come barreling through" Congress which is busy with other problems such as Watergate, the economy's slowdown, and worried about the Russian advances in rocketry.

With Nixon's pledge to keep America the strongest nation in the world, we must maintain detente. It becomes a situation in which the U.S. and the Soviets must negotiate parity in their nuclear weapons balance in which there is no first among equals.

Some experts think the U.S. military power has peaked and is now declining, so the U.S. must act now. The Administration wants new weapons as "bargaining chips" to get the SALT talks going, and if the talks fail, still wants to speed up development of the Trident missile-firing submarine, each of which will eventually cost \$1.3 billion. The navy wants Trident to replace Polaris submarines in 1978.

Also sought: \$500 million for development of the B-1 bomber; \$20.6 million for test firing of Minuteman Missiles; \$125 million for cruise missiles; \$248 million for advanced ICBM technology; \$16 million for a propulsion system for the Narwhal, a new small submarine.

America needs to maintain its defense capability, yet participate in the worldwide equilibrium of forces and pursue detente.

## In Financial World

## A question for Merrill Lynch

Feb. 8, p. 10— A silly little thing like the late opening of the New York Stock Exchange the morning of Jan. 16 by a mere 15 minutes because a computer broke down is likened to the significance of disaster such as the declaration of war. Behind it all was the most important single entity in the Wall Street superstructure—Merrill Lynch, Pierce, Fenner & Smith, Inc.

In other words, the securities exchange can't function without Merrill Lynch, but can shrug off without interruption of its activity, the folding of du Pont Walston. Merrill Lynch accounts for more than 12 per cent of the securities traded on the Big Board. What's important to Wall Street is not necessarily that Merrill Lynch's computer broke down, preventing it from delivering its customers orders on time, but that it is perhaps the last frontier from which "the people," the small, individual

investors, can be delivered from all parts of the world to the insatiably liquidity-starved Wall Street trading floors.

Can Merrill Lynch stay on top? Well, their continuing ability to lead "the thundering herd" attests to that possibility. Merrill Lynch's assets have grown from \$1.9 billion five years ago to \$3.7 billion now. Their secret has been the gold-paved road that the general populace travels on to the stock market. They are finding it hard now, however, to maintain that top-of-the-heap position. But 1973 was profitable, far from a record. There was a 52 per cent drop in operating earnings and a 44 per cent decline in net income. Gross revenues fell 1.2 per cent.

That same thundering herd became a pattering retreat from the market, as the small investor lost interest. But Merrill Lynch diversified into investment banking, revenues of which grew by nearly 25 per cent. Merrill Lynch became number one in corporate financing, gets 10 per cent of its total revenues from this area, double that of five years ago.

But Merrill Lynch does not intend to turn its back on the small investor, says Chairman Donald Regan. They intend to keep after these investors, both small and individual, hot and heavy through 1976 and beyond.

The answer about their staying on top may come in the next year and a half, when the brokerage community faces the first free and open market in the history of the securities business. Only Merrill Lynch can answer the question whether it can get the masses interested again as it has in past decades.

## Also in Financial World

**AIR FREIGHT**—Investors are getting a rough ride in this growth industry. There doesn't seem to be too much growth, and there is a lot of wreckage from bankruptcies. Wall Street gloom and the energy crisis hit this industry hard. It may be that air freight is expensive, and there isn't too much flexibility, is one of the first to be hit in economy waves by companies. Named: Flying Tiger Corp., Seaboard World Airlines, Emery Air Freight, Shulman Trans. Enterprises, WTC Air Freight. . . . p. 15

**TEXTILES**—Recovery is threatened by tight supplies and rising costs. Burlington Industries, the giant of textiles, joined the \$2 billion sales club in fiscal 1973, but even it is not immune from the cyclical of textiles. . . . p. 18

**STOCKS**—It appears that the stock market will remain as a hedge against inflation, having reasonably high liquidity. But looking back at the last decade presents a gnawing question about it. Named: Argus Research Corp. . . . p. 22

**POWER EQUIPMENT**—Babcock & Wilcox may fare well in the energy crunch, since sorely needed power has triggered expansion by the utilities, and Babcock makes the equipment for them. They appear to have long-term markets readily available. . . . p. 24

**HEALTH CARE**—Cenco Inc., looks forward to good long range prospects with the upcoming expansion of the medical markets. An earnings gain to \$1.60 a share, and to \$1.80 the year after that. p. 26

**FOOD**—Malone & Hyde, wholesale food distributor which also has interests in retail food and drug stores, is maintaining a good pace, with earnings of 62 cents a share on earnings of \$320.2 million sales. p. 28

## Also in USNRW

## Firms' spending plans unchanged

Feb. 11, p. 67— The expected business slowdown in 1974 will probably get a boost from capital spending, as most companies are planning to stick to their original plans despite the fuel shortage and economic uncertainty.

Among the hotels, Sonesta will spend some \$2.2 million, which was cut from \$2.8 million. Hilton and Holiday Inns will go ahead with plans.

Allegheny Ludlum Industries, trimmed 10 per cent from its 1974 budget for growth, blamed it on the government price controls.

Assembly line expansion plans in the U.S. were killed by some auto makers, but they were busy retooling for the dawn of the new small car era. Spending will increase.

On the upswing for spending is Dow Chemical Co., which increased its appropriation from \$450 to \$475 million, for the new energy source search. Most companies connected with petroleum are going to spend more in '74 for exploration.

Among firms planning to go ahead with their projects are RCA, General Electric, Bell & Howell, Union Carbide, General Foods, Kellogg, Eastman Kodak, J.C. Penney and Kresge.

Among retailers, Walgreen Company will continue its expansion program on schedule. Maytag Company will continue to meet consumer demands for the years ahead, although they don't expect a boom year in 1974.

## In Forbes

**BANKING**—Manufacturers Hanover Trust, the nation's fourth largest bank, hopes to become the number one U.S. bank in Eastern Europe, according to its chairman, Gabriel Hauge. Named: Citibank, Chase Manhattan, Soviet Foreign Trade Bank, Barclay's of England, Romania's Bank for Foreign Trade, Anglo-Romanian Bank Ltd., United Aircraft, J.C. Penney, Occidental Petroleum, Control Data, Commercial Export Credit Co. Chemical Bank, Westinghouse. . . . p. 22

**FRENCH FOOTSIE**—France's government owned oil company is getting all the oil it wants from the Arabs, but is not rich. Compagnie Francaise des Petroles is the smallest of the big internationals, doesn't benefit from any "special position." Named: Exxon, Royal Dutch-Shell, Texaco, British Petroleum, Gulf, Mobil. . . . p. 28

**AIRPLANE WOES**—It has been costly for the airlines to switch to the wide-bodied 747s from the old 707s. Not only did passengers not flock to fly them, but it has become imperative to ground the wide-bodied craft during energy crisis. For the most part, they have been only half filled. The airlines apparently were oversold. Named: Boeing, McDonnell Douglas, Lockheed. . . . p. 28

**STEEL**—Imported steel from the Japanese nearly killed Kaiser Steel in 1970, and Kaiser had other troubles. Kaiser hit the bottom in 1972, but has since experienced a record turnaround, had \$600 million sales in 1973. . . . p. 32

**BRITAIN**—The crisis of the country's self-inflicted wounds continues, and it seems that it will go on forever. The greatest asset: stiff upper lipism. p. 33

**STOCK MARKETS**—Resource-poor Japan's market is uncertain for the immediate future, but the long term looks better. Translated, that means: "Run for the exits..." Named: Nomura Securities Co., Merrill Lynch, Japan Fund Inc. p. 38

**OIL PROFITS**—An analyst thinks the oil companies will let the profits fall where they may in the face of the excess profits talk, and will not try to hold down their earnings. For instance, if the tax is based on a base year, then the tax would start at any increase over that—and they'd certainly try to equal and to exceed 1973's numbers. Wouldn't they? Named: Gulf Oil, Amerasia Hess. . . . p. 40

**OIL**—Murphy Oil is a free-form entity that's profitable but unconventional, like Charles Murphy, the man who built it. The company posted record earnings for 1973 by 33 per cent to \$450 million. He increased his refining capacity 50 per cent last year while the big oils sat on their hands. There's a problem: he has very little of his own crude. . . . p. 42

**TRAVEL**—The effects of the energy crisis will not be long lasting, says Bill Marriott of the inn-keeping Marriott Corp. He won't pull back, has 30 hotels, a new cruise ship, 40 flight kitchens, 100 restaurants and three parks, first of which will open in 1975. Named: International Business Machines, Xerox, Disney World. . . . p. 43

**DEPLETION ALLOWANCES**—Atlantic Richfield's President Thornton Bradshaw wants to trade away the oil industry's depletion allowance—not give it away—in exchange for decontrol of oil prices which would bring sharply higher oil prices. The oil companies then would wind up with even bigger profits. . . . p. 46

## In Fortune

## Aramco chaos for big oils

February, p. 58— By 1982, the Saudi Arabian government may nationalize the Arabian American Oil Company, and the four American oil giants who co-own it don't really care. Their main interest is in getting crude, and enough of it at a price to show a profit.

The Saudi government now owns 25 per cent of the company, the largest single share, and could increase that to 51 per cent. The owners with the Saudis are Exxon, Texaco, Mobil, and Standard Oil of California.

Aramco is the biggest oil-producing consortium in the world, with perhaps a trillion dollars worth of crude in the ground. Last year it invested heavily to increase crude production capacity by more than the total production of Libya.

The needs they had for crude could be satisfied nowhere else, but now that the Arab cutbacks and selective embargoes have been imposed, they are in a chaotic situation. Political decisions will determine what will happen to their investments.

Even now, prior to possible nationalization, the only right the companies have is to buy the oil at prices set by the Arabs, and they can sell to whomever they wish, except that the buyers must have the approval of the Saudi government.

In the future, a world grown wary of Arabs and their oil sources, will seek out alternatives at whatever the cost, and protect it with a wall of tariffs. The companies have been socked by way-out taxes by the Saudis, and they may now see a surtax tailed to their "excess profits" in the U.S.

# SECURITIES NOW IN REGISTRATION\*

(N) INDICATES ADDITIONS IN SINCE PREVIOUS ISSUE

(R) ITEMS REVISED

(I) INITIAL PUBLIC OFFERING

## Other Companies in Registration

### AMDAHL CORP.

1180 Kern Ave., Sunnyvale, CA, Oct. 29, 1973 filed 600,000 shares of common, to be offered at \$28 per share. The company, which is in the computer systems business, will use its proceeds for finance, development, and investment. C.E. Unterberg, Towbin Co., NY; and Hambrecht & Quist, San Francisco, CA will manage the underwriting. Offering expected in Feb. (I)

### AUTODYNAMICS, INC.

2 Barnard St., Marblehead, MA, Oct. 26, 1973 filed 300,000 shares of common, to be offered at \$5 per share; 30,000 shares of common, to be offered at \$5.50 per share (reserved for issuance upon exercise of warrants); and 30,000 warrants to purchase common. The company develops, manufactures and markets electrically powered vehicles. Proceeds will be used for debt repayment and to provide funds for development. Gotham Securities Corp., NY will manage the underwriting. -V. 206, p. 1931.

### BARNES MORTGAGE INVESTMENT TRUST

100 Federal St., Boston, MA, Oct. 26, 1973 filed \$25,000,000 of senior subordinated notes due Dec. 1, 1980. The company invests primarily in first mortgage construction and development loans. Drexel Burnham & Co.; and Bache & Co., NY will manage the underwriting. V. 216, p. 2070.

### BORG WARNER ACCEPTANCE CORP.

1 IBM Plaza, Chicago, IL, Jan. 8, 1974 filed \$50,000,000 of senior debentures due Feb. 1, 1999, to be offered at 101 per cent. The company, which is engaged in the finance business, will use its proceeds for debt repayment. Goldman Sachs & Co. NY will manage the underwriting. Offering expected in early Feb. V. 217, p. 224.

### BROADWAY-HALE CREDIT CORP.

600 S. Spring St., Los Angeles, CA, Jan. 23, 1974 filed \$50,000,000 of notes due 1982 to be offered at 100 per cent. The company, which purchases customer receivables of Broadway-Hale Stores will use the proceeds to retire debt. Morgan Stanley & Co., will manage the underwriting. Offering expected on Feb. 13.

### CVI LASER CORP.

200 Dorado Place, S.E. Albuquerque, NM, Oct. 29, 1973 filed 250,000 shares of common, to be offered at \$3 per share; 250,000 common stock purchase warrants, to be offered at \$3 each (each warrant 1-2 share each); 25,000 common stock purchase warrants, to be offered at \$4.01 each; and 25,000 shares of common, to be offered at \$4.01 per share, offered in units consisting of one share of common and one warrant to purchase one half additional share of common. The company, which is basically engaged in coating lenses, mirrors and similar optical machines in order to control high power laser beams, will use its proceeds to increase company capacity, repay loans and to add to company funds. Doherty and Co., Albuquerque, NM will manage the underwriting. Offering expected in March. -V. 217, p. 1993.

### CAMBRIDGE MEMORIES, INC.

696 Virginia Road, Concord, MA, Jan. 11, 1974 filed 364,843 shares of common, to be offered at \$16 per share (350,000 shares by the company and 14,843 shares by selling stockholders). There is also an additional 25,000 shares of common issued to underwriters to cover over-allotments. The company, which develops, manufactures and markets add-on memory systems for use with IBM computers, will use its proceeds to purchase facilities and production equipment and for additional working capital. Alex Brown and Sons, Baltimore, MD, will manage the underwriting. Offering expected Feb. 14. V. 218, p. 1481.

### CONSOLIDATED INTERNATIONAL, INC.

2020 Corvair Ave., Columbus, OH, Dec. 28, 1973 filed \$750,000 sinking fund debentures due 1989, to be offered at 100 per cent. The company, which purchases and sells at wholesale and retail automotive replacement parts and consumer hard goods items, will use its proceeds to discharge indebtedness and provide additional working capital. Ohio Co., Columbus, OH, will manage the underwriting. Offering expected in late Feb.

### CORDIS CORP.

125 N.E. 40th St., Miami, FL, Dec. 28, 1973 filed 160,000 shares of common, including 10,000 by selling stockholders, to be offered at \$35 per share. The company designs, manufactures and sells specialized medical products and services. Proceeds will be used to purchase equipment, as advances to a subsidiary, and for general corporate purposes. C.E. Unterberg Towbin Co.; and F.S. Moseley Estabrook Inc., NY, will manage the underwriting. V.218, p.1721.

### DIACON, INC.

4812 Kearny Mesa Rd., San Diego, CA, Nov. 12, 1973 filed 283,225 shares of common, to be offered at \$9.50 per share; and 12,000 shares of common, to be offered at \$11.40 per share and issuable upon exercise of warrants (total includes 225,000 by the company, 35,725 by selling stockholders, and 22,500 to cover over-allotments). The company designs, develops, manufactures and markets semiconductor packages. Proceeds will be used to retire indebtedness, finance and capital purposes. Crowell, Woodson & Co., Los Angeles, CA, will manage the underwriting. Offering expected in March.

### DIAL-A-INTERNATIONAL INC.

645 Madison Ave., NY, Oct. 29, 1973 filed 145,000 units, to be offered at \$2.75 per unit. The company is newly organized and will offer a medically supervised program of weight reduction. Proceeds will be used for rental of offices and other start up operation costs. JJ Krieger & Co., NY will manage the underwriting.

### ENTERTAINMENT COMMUNICATIONS, INC.

555 City Line Ave., 6th floor, Bala Cynwyd, PA, Dec. 28, 1973 filed 100,000 units, consisting of 1 share of common and 1 callable warrant to purchase 1 share of common, to be offered at \$15 per share; 10,000 units, consisting of 1 share of common and 1 callable warrant to cover over allotment, to be offered at \$15 per share; 10,000 warrants, to be offered at \$0.01 per warrant; 110,000 shares of common, to be offered at \$22.50 per share, reserved for issuance upon exercise of warrants; and 10,000 shares of common, to be offered at \$18 per share, issuable upon exercise of warrants. The company, which is in the business of radio broadcasting, will use its proceeds for reduction of bank loans incurred in connection with the acquisition of radio stations. Babblitt, Meyers & Waddell, Pittsburgh, PA, will manage the underwriting. (I)

### HCA MARTIN, INC.

919 Third Ave., NY, Nov. 19, 1973, filed 400,000 shares of outstanding common to be offered at \$21.75 per share. The company deals with the processing and dyeing of nylon yarn. Reynolds Securities, Inc., NY, will manage the underwriting. Offering imminent.

### INDUSTRIAL DEVELOPMENT BANK OF ISRAEL, LTD.

9 Ahad Haam, Tel Aviv, Israel, Nov. 30, 1973 filed \$50,000,000 of 7 1/2 per cent registered capital notes, due 1999, to be offered at \$1,000 per note to non-residents of Israel. Proceeds will be used as part of the capital of the Bank. Capital for Israel, Inc. will manage the underwriting. Offering in expected Feb. 11. V. 203, p. 1342.

### ITEL INVESTORS GROUP II

One Embarcadero Center, San Francisco, CA, Nov. 20, 1973 filed 15,000 limited partnership units, to be offered at \$1,000 with a minimum purchase of 6 units. The company is to purchase approx. \$50,000,000 of the virtual memory version of IBM System 370 central processing units and/or peripheral equipment manufactured by IBM and others and lease them to third persons. duPont Walston, Inc., NY will manage the underwriting.

### JACUZZI BROS. INC.

11511 New Benton Highway, Little Rock, AR, Nov. 14, 1973 filed 430,000 shares of common (185,076 by the company and 244,924 by selling shareholders) to be offered at \$22 per share. The company designs, manufactures and sells pumps and water systems. Proceeds will be used for capital expenditure and working capital. William Blair & Co., Chicago, IL; and Salomon Brothers, NY, will manage the underwriting. Offering expected in early 1974.

### LEE PHARMACEUTICALS

144 Santa Anita Ave., South El Monte, CA, Nov. 9, 1973 filed 275,000 shares of common (50,000 by the company, 200,000 by selling stockholders, and 25,000 subject to over-allotment option). The company, which develops, manufactures and markets products for preventive and restorative dentistry, will use proceeds to increase its working capital. Birr, Wilson & Co., Inc., San Francisco, CA, will manage the underwriting. Offering expected Feb. 26. V.218, p.121.

### MATRIX COMMODITIES, INC.

28 King St., NY, Oct. 29, 1973 filed 200,000 shares of Class A common, to be offered at \$5 per share. The company is in the business of trading commodity futures. Phillips, Appel & Walden, Inc., NY will manage the underwriting. Offering expected in Feb.

### MEASUREX CORP.

10475 Imperial Ave., Cupertino, CA, Jan. 25, 1974 filed 705,331 shares of common (600,000 by company and 105,331 by selling shareholders), to be offered at \$24.25 per share. The company, which develops, manufactures, and markets digital computer process control systems primarily used in the manufacture of paper and other products, will use the proceeds to repay a portion of outstanding borrowings. Blyth Eastman Dillon & Co., Inc., NY, will manage the underwriting. Offering expected in mid-Feb.

### MEDENCO, INC.

Suite 1600, Five Greenway Plaza East, Houston, TX, Nov. 16, 1973 filed 467,196 shares of common, to be offered at \$12 per share, (24,725 shs. by selling stockholders, and 442,473 shs. to cover over-allotments). The company, which is principally engaged in providing health services, will use its proceeds for debt repayment. Reynolds Securities Inc., NY, will manage the underwriting. Offering expected in Feb. V.216, p.183.

### METAL SALES MANUFACTURING CORP.

4001 Produce Lane, Louisville, KY, Nov. 6, 1973 filed 50,000 shares of cumulative convertible preferred stock with a par value of \$15, to be offered at \$20 per share; 15,000 shares of common, issuable upon exercise of warrants, to be offered at \$8.75 per share; and 15,000 warrants to purchase common. The company manufactures and markets metal roofing and siding panels. Proceeds will be used to provide funds for additional working capital. The Ohio Co., Columbus, OH will manage the underwriting.

### METROFLIGHT INC.

1974 Sproul Rd., Broomall, PA, Oct. 19, 1974 filed 1,250,000 units consisting of 1,250,000 shares of common and 1,250,000 warrants, to be offered at \$0.60 per unit. The company, which operates commuter flights, will use its proceeds to lease equipment, reduce loans and for

working capital. Burnside & Co., Inc., NY will manage the underwriting. Offering expected April 10.

NUCLEAR & ENVIRONMENTAL PROTECTION, INC.  
163 Murphy Rd., Hartford, CT, Dec. 27, 1973 filed 70,000 shares of common, to be offered at \$9 per share. The company, which develops, manufactures and sells nuclear and occupational safety and protective products, will use the proceeds for expansion, and to increase working capital. Alpha Capital Ventures Corp., NY, will manage the underwriting. Offering expected in mid-February. V. 217, p. 575.

### POLYDEX CHEMICALS LTD.

421 Comstock Road, Scarborough, Ontario, Canada, Oct. 29, 1973 filed 200,000 shares of outstanding common, to be offered at \$8 per share. The company deals in the manufacture and sale of Dextran synthetic chemical compound and derivatives. J.D. Winer & Co., Inc., NY, will manage the underwriting. V.216, p.230.

### PRIME COMPUTER, INC.

23 Strathmore Rd., Natick, MA, Dec. 11, 1973 filed 450,000 shares of common, to be offered at \$8 per share. The company, which is engaged in the design, manufacture and sale of small and medium sized computers, will use proceeds to repay debt and provide working capital. Clark, Dodge & Co., Inc., NY will manage the underwriting. Offering expected Feb.28.

### SANTA FE INTERNATIONAL CORP.

Union Bank Sq., S. Tower, PO Box 1401, Orange, CA, Jan. 15, 1974 filed 900,000 shares of common, to be offered at \$45 per share. The company, which is primarily a service contractor to the international oil industry, will use its proceeds to increase its funds, and to expend for general corporate purposes, including capital expansion and property development. Dean Witter & Co., Inc., San Francisco, CA; and Blyth Eastman Dillon & Co., Inc., NY, will manage the underwriting. Offering expected in mid-Feb. V. 217, p. 486.

### SEEBURG INDUSTRIES, INC.

767 Fifth Ave., NY, Nov. 9, 1973 filed 255,000 shares of outstanding common, to be offered at \$26 per share. Through a subsidiary, the company is engaged primarily in the manufacture and sale of coin-operated phonographs, amusements games and vending games. Allen & Co., Inc., NY, will manage the underwriting.

### SOUTHWEST CHEMICAL SERVICES, INC.

2410 Two Shell Plaza Houston, TX, Nov. 2, 1973 filed 586,000 shares of common, to be offered at \$15 per share (400,000 by the company and 186,000 by selling stockholders, and 40,000 subject to a 30 day option granted to underwriters). The company, which provides certain services for the plastics industry, and producing specialty chemicals, will use its proceeds for plant improvement and expansion projects. White, Weld & Co., Inc., NY will manage the underwriting.

### TELEMED CORP.

9950 W. Florence Ave., Schiller Park, IL, Dec. 5, 1973 filed 380,000 shares of common, to be offered at \$25 per share, (100,000 by the company; 250,000 by selling stockholders; and 30,000 to cover over allotment). The company, which provides services and equipment to medical facilities to assist physicians, will use its proceeds to retire indebtedness, to purchase equipment, and for working capital purposes. G.H. Walker, Laird Inc., NY, will manage the underwriting. Offering expected in Feb. V.217, p.3. (N)

### THERMO ELECTRON CORP.

101 First Ave., Waltham, MA, Jan. 29, 1974 filed 330,000 shares of common, to be offered at \$28.75 per share. The company, which develops, manufactures, and markets products utilizing technologies related to thermodynamics, will use its proceeds for debt reduction, for working capital and other corporate purposes. White, Weld & Co., Inc.; Lehman Brothers Inc.; and C.E. Unterberg Towbin Co., NY, will manage the underwriting. Offering expected in mid-March.

### VARO SEMICONDUCTOR, INC.

2800 W. Kingsley, Garland, TX, Nov. 6, 1973 filed 800,000 units, consisting of 1 share of common and 1 warrant to purchase 1-2 share of common, to be offered at \$25 per unit; and 400,000 shares of common, issuable upon exercise of warrants, to be offered at \$22.50 per share. The company produces solid state high voltage rectifiers for use in consumer and industrial electronic products. E.F. Hutton & Co., Inc., NY, will manage the underwriting. Offering expected in mid-Feb.

### VICTORIA STATION INC.

150 Chestnut St., San Francisco, CA, Nov. 5, 1973 filed 465,500 shares of common (350,000 shs. by the company, 80,500 shs. by selling stockholders, and 35,000 shs. to the underwriters to cover over-allotments if any), to be offered at \$16 per share. The company is in the limited menu restaurant business. Proceeds will be used for debt repayment and to develop new restaurant business. Robertson, Colman, Siebel & Weisel, San Francisco, CA, will manage the underwriting. V.216, p.531.

### WESTERN ACCEPTANCE CO.

2107 Grand Ave., Kansas City, MO, Dec. 28, 1973 filed \$50,000,000 of debentures due 1994, to be offered at 100 per cent. The company, which since 1961 has been purchased from Western Auto & Supply Co. Certain customer receivables arising from retail credit sales by independently owned and operated stores associated with Western Auto, will use its proceeds to make the initial purchase of customer receivables, which have arisen from sales by Auto's Co. owned stores. Blyth Eastman Dillon & Co., Inc., NY, will manage the the underwriting.

## Oil-Gas Real Estate

### AMERICAN PROPERTY INVESTORS IV

1776 S. Jackson St., Denver, CO., Dec. 11, 1973, filed 60,000 unit of limited partnership interests, to be offered at \$500 per unit, with a minimum investment of \$2,500. The partnership will invest primarily in approved commercial real estate which is leased to others. Blyth Eastman Dillon & Co., Inc., NY; Kelly & Morey, Inc., Denver, CO., will manage the underwriting.

### BANCAL INVESTORS

400 California St., San Francisco, CA, Oct 10, 1973 filed 1,650,000 shares of beneficial interest, to be offered at a maximum of \$20 per unit. The company has been established to invest in a diversified portfolio of mortgage and real property investments. Dean Witter & Co Inc, San Francisco, CA; and Paine, Webber, Jackson & Curtis Inc, NY will manage the underwriting.

### BEARD OIL CO.

Suite 200, South, 2000 Classen Bldg., Oklahoma City, OK, Dec 21, 1973 filed 350,000 shares of common, to be offered at \$6 per share, (300,000 shares by the company and 50,000 shares by a selling shareholder); 35,000 shares of common, to be offered \$6, to cover allotments; 17,500 warrants to purchase common stock, to be offered at \$0.01 per warrant; and 17,500 shares of common, to be offered at \$7.20 per share, issuable upon exercise of the warrants. Proceeds will be used primarily to drill development and exploratory wells, to acquire oil and gas leases and to retire a loan. Danes Cooke & Keleher, Inc., NY will manage the underwriting. Offering expected in mid-February.

### CENTRAL MORTGAGE AND REALTY TRUST

928 Grand Ave, Kansas City, MO, Oct 17, 1973 filed 750,000 shares of beneficial interest, to be offered at \$22 per interest. The company has invested and intends to continue to invest primarily in short-term first mortgage construction and development loans on commercial and residential properties. Stern Brothers & Co, Kansas City, MO, and Daln, Kalman & Quail, Inc, Minneapolis, MN, will manage the underwriting. -V 218, p 497

### CHARTER INVESTMENT CO

200s First Maryland Bldg, 25 South Charles St, Baltimore, MD, Nov. 15, 1973 filed 2,500,000 shares of common, to be offered at \$20 per share. The company, which is a new closed-end diversified investment company will invest at least 50 per cent of its assets in real estate investment trusts, will invest its net proceeds in securities and certain funds. duPont Walston, Inc, NY, will manage the underwriting

### CONTINENTAL ILLINOIS REALTY

Suite 500, 606 Wilshire Blvd., Santa Monica, CA, Dec. 19, 1973 filed \$25,000,000 of senior subordinated notes due 1981, to be offered at \$1,000 per note. The company is a real estate investment trust. Lehman Brothers Inc., NY; and Dean Witter & Co., Inc., San Francisco, CA will manage the underwriting. Offering expected in early 1974. - V. 218, p. 735.

## Important Notice

The tabulations excluded issues filed prior to July 1973 for which specific offering dates have not been announced. These issues will be reinstated when information regarding the dates when the offerings are to be made is available.

### ENERGEX CORP.

600 Houston Natural Gas Bldg., Houston, TX, Jan. 29, 1974 filed 1,800 units of participation in Vance Sanders Drilling Program-1974, to be offered at \$5,000 per unit plus possible additional assessments of \$500, with a minimum subscription of 1 unit. Vance, Sanders & Co., Inc., Boston, MA, will manage the underwriting. Offering expected on April 1.

### GRAY TOOL CO.

7135 Ardmore St., Houston, TX, Dec. 28, 1973 filed 450,000 shares of common, to be offered at \$15 per share (300,000 shs. by the company and 150,000 shs. by selling shareholders); 30,000 shs. of common, to be offered at \$15 per share; to cover over-allotment. The company, which designs and manufactures oilfield equipment for offshore onshore oil and gas wells and industrial products, will use proceeds to reduce short term debts, plant construction and new equipment, and to increase working capital. Rotan Meele Inc., Houston, TX, will manage the underwriting. Offering expected in early March. (I)

### GROWTH REALTY INVESTMENT LIMITED PARTNERSHIP

2 E. Fayette St., Baltimore, MD, Jan. 23, 1974 filed 3,000 limited partnership interests, to be offered at \$1,000 per interest, with a minimum purchase of 2 interests. The

partnership will invest in residential and commercial real estate. Legg, Mason & Co., Inc. Baltimore, MD; and Wood, Walker & Co., Inc., NY, will manage the underwriting.

**HANOVER PLANNING CO. INC.**

5 Hanover Square, NY, Dec. 21, 1973 filed 4,000 units representing limited partners capital contributions in the 1974 Hanover Drilling program, series II, Ltd. a limited partnership to be formed and preorganized subscriptions to aforementioned units at \$5,000 per unit; and 42 shares representing general partners initial capital contributions in the 1974 Hanover Drilling program, series II, Ltd., a limited partnership to be formed at \$5,000 per share. The partnerships will be formed to explore for oil and gas. Selhan, Inc., NY will manage the underwriting. Offering expected in early Feb. V. 218, P. 293.

**HARTMAN GROUP SECOND FUND, LTD**

Suite 1720 Travelers Tower, Southfield, MI, Oct 29, 1973 filed 10,005 partnership units, to be offered at \$500 per unit, with a minimum subscription of \$2,500. The partnership was formed for the purpose of investing in improved real estate. Group Investment Managers, Inc. is the managing corporate general partner.

**HEITMAN MORTGAGE INVESTORS**

12th Floor, 225 Franklin St., Boston, MA, Oct. 31, 1973 filed \$30,000,000 of senior subordinated notes due 1980, to be offered at 100 percent. The company is a real investment trust. Bear, Stearns & Co, NY will manage the underwriting.

**HILLIARD OIL & GAS, INC.**

2200 Sand Hill Rd., Menlo Park, CA, Dec. 27, 1973 filed 250,000 shares of common, to be offered at \$10 per share. The company is engaged in oil and gas explorations and production. Proceeds will be used to reduce short term debt and to add to working capital. Underwriters to be named. V. 218, p.1651.

**IDS-MCCULLOCH OIL EXPLORATION DEVELOPMENT PROGRAM-1974**

10880 Wilshire Boulevard, Los Angeles, CA, Nov 9, 1973 filed \$30,000,000 of interests in an Oil and Gas Exploration and Development Program, to be offered at \$1,000 per unit, with a minimum subscription of \$5,000. The limited partnerships will engage in exploration for and development of oil and gas. Investors Diversified Services, Inc. Minneapolis, MN, will manage the underwriting. Offering expected Feb. 11.

**IDS REALTY TRUST**

IDS Tower, Minneapolis, MN, Sept 6, 1973 filed \$101,002,650 of Series C subordinated debentures due Oct 31, 1998. A real estate investment trust organized in Dec. of 1971 to invest in a portfolio of real property investments. The net proceeds will be used to repay short-term borrowings. Investors Diversified Services, INC., Minneapolis, MN will manage the underwriting. -V 217, p 919

**I.R.E. REAL ESTATE PARTNERS, LTD., SERIES IV**

201 Selvilla Ave., Coral Gables, FL, Nov. 16, 1973 filed 20,000 units of limited partnership interests, to be offered at \$500 per unit, with a minimum purchase of 5 units. The objective of this company is to acquire for investment, improved income producing real estate. Investors Tax Sheltered Real Estate, Inc., is the General Partner.

**JUSTICE MORTGAGE INVESTORS**

505 N Ervay, Dallas, TX, Oct 29, 1973 filed 800,000 shares of beneficial interest, to be offered at \$24 per share. The company is a business trust which invests in real estate mortgage loans. Kidder, Peabody & Co, Inc. NY will manage the underwriting. V 217, p 739

**MAENNER-AMERICAN PROPERTIES**

10050 Regency Circle, Omaha, NE, Nov. 6, 1973 filed 25,000 units of preformation limited partnership interest, to be offered at \$100 per unit with a minimum purchase of 25 units. The partnerships will invest in income producing real property. First Mid America Inc., Lincoln, NE will manage the underwriting.

**MASSMUTUAL MORTGAGE & REALTY INVESTORS**

1295 State St., Springfield, MA, Nov. 20, 1973 filed \$40,000,000 of senior notes due 1980, to be offered at 100 per cent. This real estate investment trust will use proceeds to reduce short term borrowings. White, Weld & Co., Inc. NY will manage the underwriting. V. 216, p. 919.

**MIDLAND MORTGAGE INVESTORS TRUST**

1800 Midland Center, Oklahoma City, OK, Nov. 28, 1973 filed \$22,000,000 convertible subordinated debentures due 1998, to be offered at 100 per cent; and an indeterminate amount of shares of beneficial interest issuable upon conversion of the debentures. The company is a real estate investment trust which invests primarily in short term mortgage construction and development loans. Smith, Barney & Co., Inc.; Reynolds Securities Inc.; and Stone & Webster Securities Corp., NY-will

# New Issue Calendar as of February 8, 1974

**FEBRUARY 11 (MONDAY)**

**IDS McCulloch Oil Exploration Development Program-1974**  
(Investors Diversified Services, Inc.)  
\$30,000,000 interests.

**FEBRUARY 13 (WEDNESDAY)**

**Broadway-Hale Credit Corp.**  
(Morgan Stanley & Co., Inc.) \$50,000,000 notes.  
**Ohio Edison Co.**  
(Bids at 11. 450,000 preferred.  
**Southern California Edison Co.**  
(Bids at noon) \$100,000,000 bonds.

**FEBRUARY 14, (THURSDAY)**

**Cambridge Memories, Inc.**  
(Alex Brown & Sons) 384,843 common.  
**Columbus & Southern Ohio Electric Co.**  
(Dillon, Read & Co., Inc.) 200,000 preferred.  
**First National Boston Corp.**  
(First Boston Corp.) \$100,000,000 notes.  
**Pennsylvania Power Co.**  
(Bids at 12 noon) 80,000 preferred  
**Southern Bell Telephone & Telegraph Co.**  
(Salamon Bros.) \$300,000,000 debentures.  
**Southern Pacific Transportation Co.**  
(Bids to be received) \$15,000,000 certificates.

**FEBRUARY 20 (WEDNESDAY)**

**Allegheny Power Co.**  
(Bids at 4 pm) 2,500,000 common.  
**Carolina Power & Light Co.**  
\$65,000,000 preferred.  
**Consolidated Edison Co. of NY.**  
(Bids at 11 am) \$150,000,000 bonds.

**FEBRUARY 21 (THURSDAY)**

**Texas Power & Light Co.**  
(Bids at noon) 300,000 preferred.  
**Texas Power & Light Co.**  
(Bids at 11 a.m.) 50,000,000 bonds  
**Brooklyn Union Gas Co.**  
(Bids at noon) \$20,000,000 preferred.

**FEBRUARY 26 (TUESDAY)**

**Appalachian Power Co.**  
(Bids at 11 a.m.) \$50,000,000  
**Appalachian Power Co.**  
(Bids at 11:45 a.m.) 200,000 preferred.  
**Daystrol-Scientific Inc.**  
(Engler & Budd Co.) 200,000 common.  
**Lee Pharmaceuticals**  
(Birr, Wilson & Co. Inc.) \$40,000,000 notes.  
**Texas Electric Service Co.**  
(Bids at 11 am) \$40,000,000 bonds.  
**Texas Electric Service Co.**  
(Bids at noon) 300,000 preferred.  
**Vibratronics Inc.**  
(Koss Securities Corp.) 150,000 common.

**FEBRUARY 27 (WEDNESDAY)**

**Brooklyn Union Gas Co.**  
(Bids at 11 a.m.) \$35,000,000 bonds.  
**Brooklyn Union Gas Co.**  
(Bids at noon) \$20,000,000 preferred.  
**E.F. Hutton Tax-Exempt Fund, National Series 12**  
(E.F. Hutton & Co., Inc.) 11,250 units.

**FEBRUARY 28 (THURSDAY)**

**Regal Muffler Centers Inc.**  
(BI Planning Security Corp. of NY)  
**Prime Computer, Inc.**  
(Clark, Dodge & Co., Inc.) 450,000 common.  
**Puget Sound Power & Light Co.**  
(Bids at 11 am) \$30,000,000 bonds.

**MARCH 4 (MONDAY)**

**Public Service Electric & Gas Co.**  
(Bids at noon) \$100,000,000 bonds.

**MARCH 5 (TUESDAY)**

**Orange & Rockland Utilities**  
(Merrill Lynch, Pierce, Fenner & Smith Inc.) \$20,000,000 common.  
**Orange & Rockland Utilities, Inc.**  
(Bids at 11 a.m.) \$30,000,000 bonds.

**MARCH 6 (WEDNESDAY)**

**Public Service Corp. of New Hampshire**  
(Kidder, Peabody & Co., Inc.) \$20,000,000 bonds.  
**Public Service Corp. of New Hampshire**  
(Kidder, Peabody & Co., Inc.) 650,000 common.  
**Central Illinois Public Service Co.**  
(Bids at noon) \$35,000,000 bonds.

**MARCH 7 (THURSDAY)**

**Consolidated Edison Of NY**  
(Bids at 11 a.m.) \$150,000,000 bonds.

**MARCH 12 (TUESDAY)**

**Detroit Edison**  
(Bids to be received) 690,000 preferred.  
**Louisiana Power & Light Co.**  
(Bids at noon) \$10,000,000 preferred  
**Louisiana Power & Light Co.**  
(Bids 11 a.m.) \$45,000,000  
**Portland General Electric**  
(Bids to be received) \$25-30,000,000 common.

**MARCH 13 (WEDNESDAY)**

**Southwestern Bell Telephone Co.**  
(Bids to be received) \$200,000,000 debentures

**MARCH 19 (TUESDAY)**

**Indianapolis Power & Light**  
(Bids at noon) 200,000 preferred.  
**Mississippi Power**  
(Bids to be received) 150,000 common.

**MARCH 18 (MONDAY)**

**Consolidated Natural Gas Co.**  
(Bids at 11:30 a.m.) \$50,000,000 debentures.

**MARCH 19 (TUESDAY)**

**Montana Power Co.**  
(Bids to be received) \$60,000,000 bonds.

**MARCH 20 (WEDNESDAY)**

**Narragansett Electric Co.**  
(Bids to be received) \$10,000,000 bonds.

**MARCH 26 (TUESDAY)**

**Texas Electric Service Co.**  
(Bids at 11 a.m.) \$40,000,000 bonds.  
**Texas Electric Service Co.**  
(Bids at noon) 300,000 preferred.

**MARCH 27 (WEDNESDAY)**

**Pacific Power & Light Co.**  
(Bids at 4 p.m.) \$55,000,000 common.  
**Laclede Gas Co.**  
(Bids to be received) \$20,000,000 bonds

**MARCH 28 (THURSDAY)**

**American Electric Power Co.**  
(Bids to be received) 7,000,000 common.

**MARCH 29 (FRIDAY)**

**Lone Star Gas Co.**  
(Bids at noon) \$60,000,000 debentures.

**APRIL 1 (MONDAY)**

**Energex Corp.**  
(Vance, Sanders & Co., Inc.) 1,800 units.  
**Texas Gas Transmission Corp.**  
(Dillon Read & Co.) \$40,000,000 debentures

**APRIL 2 (TUESDAY)**

**Chesapeake & Potomac Telephone Co. of Virginia**  
(Bids to be received) \$100,000,000 debentures.  
**Wisconsin Power & Light Co.**  
(Bids at 11 am) \$35,000,000 bonds.

**APRIL 4 (THURSDAY)**

**General Telephone Co. of Upstate New York**  
(Bids at 11 a.m.) \$14,000,000 bonds.

**APRIL 8 (MONDAY)**

**Kentucky Utilities**  
(Bids at 11 a.m.) \$25,000,000 bonds.

**APRIL 9 (TUESDAY)**

**Hartford Electric Light Co.**  
(Bids at 11 a.m.) \$30,000,000 bonds.  
**Hartford Electric Light Co.**  
(Bids at noon) \$15,000,000 preferred

**APRIL 10 (WEDNESDAY)**

**Metroflight Inc.**  
(Willis E. Burnside & Co., Inc.) 1,250,000 units.  
**Delmarva Power & Light Co.**  
(Bids at 4 p.m.) 1,400,000 common.  
**Delmarva Power & Light Co.**  
(Bids at 11 a.m.) \$35,000,000 bonds.  
**Maxwell Harman Enterprises, Inc.**  
(Dania Securities Inc.) 500,000 common.

**APRIL 16 (TUESDAY)**

**Southwestern Electric Power**  
(Bids at 11 a.m.) 200,000 preferred.  
**Tennessee Valley Authority**  
(Bids at 11 a.m.) \$100-150,000,000 bonds.

**APRIL 17 (WEDNESDAY)**

**Jersey Central Power & Light**  
(Bids at noon) \$35,000,000 preferred.

**APRIL 18 (THURSDAY)**

**Arkansas Power & Light**  
(Bids at noon) \$40,000,000 bonds.  
**Philadelphia Electric Co.**  
(First Boston Corp.) \$75,000,000 preferred.  
**Western Massachusetts Electric**  
(Bids at noon) \$30,000,000 bonds.

**APRIL 23 (TUESDAY)**

**Fepto Inc.**  
(Anchor Securities Inc.) 140,000 common.  
**New York Telephone Co.**  
\$200,000,000 bonds.

**APRIL 30 (TUESDAY)**

**New Orleans Public Service Co.**  
(Bids at 11 a.m.) \$32,000,000 bonds.

**MAY 1 (WEDNESDAY)**

**Sierra Pacific Power Co.**  
(Bids 11 am) \$25,000,000 bonds.

**MAY 21 (TUESDAY)**

**Interstate Power Co.**  
(Bids at 3:45 p.m.) \$5,000,000 common.  
**Pacific Gas & Electric Co.**  
(Bids at 11:30 am) \$150,000,000 bonds

**MAY 22 (WEDNESDAY)**

**Interstate Power Co.**  
(Bids at noon) \$5,000,000 preferred.  
**Interstate Power Co.**  
(Bids at 11 a.m.) 17,000,000 bonds

**MAY 29 (WEDNESDAY)**

**Chesapeake & Potomac Telephone Co. of Maryland**  
(Bids to be received) \$100,000,000 debt.

manage the underwriting. V. 217, p. 880. Offering expected late Feb.

#### MIDLANTIC MORTGAGE INVESTORS

60 Park Place, Newark, NJ, Oct. 26, 1973 filed 1,250,000 shares of beneficial interest, to be offered at \$30 per share. The company is a real estate investment trust formed to invest primarily in short-term construction, land acquisition and development loans. GOLDMAN, Sachs & Co.; and Reynolds Securities Inc., NY will manage the underwriting. Offering expected in Feb.

#### MID-HUDSON LAND PARTNERS

680 Fifth Ave., NY, Jan. 19, 1974 filed 2,000 units of limited partnership interests, to be offered at \$1,093 per unit, with a minimum purchase of 2 units. This partnership will invest in undeveloped real estate in New York state. Scherl, Egner & Bassuk, Inc., NY, will manage the underwriting. Offering expected in mid-Feb.

#### ROWAN CO., INC.

1900 Post Oak Tower, 5051 Westheimer Rd., Houston, TX, Jan. 23, 1974 filed 750,000 shares of common, to be offered at \$33.50 per share. The company, which is in the business of contract drilling of oil and gas wells for others, will use the proceeds for construction and other capital expenditures. Lehman Brothers, NY, will manage the underwriting. Offering expected in late Feb.

#### TESORO 1974-A and 1974-B EXPLORATION PROGRAM, Ltd.

8700 Tesoro Dr., San Antonio, TX, Jan. 9, 1974 filed \$8,000,000 of limited partnership interests, to be offered at \$1,000 per interest, with a minimum investment of \$5,000. The partnership will engage in exploration drilling in the U.S. and Canada. E.F. Hutton & Co., NY, will manage the underwriting. Offering expected in early April.

UNION AMERICA MORTGAGE & EQUITY TRUST  
9595 Wilshaw Blvd., Beverly Hills, CA, Dec. 28, 1973 filed \$25,000,000 of senior subordinated notes due Dec. 31, 1990, to be offered at \$1,000. The company, which is a diversified real estate investment trust, will use its proceeds to reduce short term borrowings incurred to finance newly made investments. Lehman Brothers, Inc.; and White, Weld & Co., Inc., NY, will manage the underwriting. V. 215, p. 1414.

## Utilities

#### ALLEGHENY POWER SYSTEM, INC.

320 Park Ave., NY, Dec. 21, 1973 filed 2,500,000 shares of common, to be offered at \$20 per share, at competitive bidding. Proceeds will be used to finance construction. Bids expected on Feb. 20, at 4 p.m. V.216, p.1703.

#### APPALACHIAN POWER CO.

40 Franklin Rd., Roanoke, VA, Jan. 16, 1974 filed \$50,000,000 of first mortgage bonds; and 200,000 shares of \$100 cumulative preferred stock, to be offered at competitive bidding. Proceeds will be used to repay debt and for construction. Bids expected at 11 a.m. on bonds, and 11:45 a.m. on the preferred, on Feb. 26. V. 218, p. 1.

#### BROOKLYN UNION GAS CO.

195 Montague St., Brooklyn, NY, Jan. 24, 1974 filed 200,000 shares of series D, \$100 cumulative preferred stock; and \$30,000,000 of first mortgage bonds due 1999, to be offered at competitive bidding. Proceeds will be used to reduce debt incurred for construction. Bids expected at noon on the preferred stock, and at 11 a.m. on the bonds, on Feb. 27.

#### CAROLINA POWER & LIGHT CO.

336 Fayetteville St., Raleigh, NC, Jan. 29, 1974 filed 650,000 shares of preferred stock, to be offered at \$102.50 per share. Proceeds will be used for debt reduction. Merrill Lynch, Pierce, Fenner & Smith Inc., NY, will manage the underwriting. Offering expected Feb. 21.

#### COLUMBUS & SOUTHERN OHIO ELECTRIC CO.

215 North Front St., Columbus, OH, Jan. 23, 1974 filed 200,000 shares of cumulative preferred, to be offered at \$103 per share. Proceeds will be used to reduce debt incurred for construction. Dillon, Read & Co., Inc., NY; and Ohio Co., Columbus, OH will manage the underwriting. Offering expected Feb. 14.

#### MONTANA POWER CO.

40 E. Broadway, Butte, MT, Dec. 19, 1973 filed \$60,000,000 of first mortgage bonds due 2004, to be offered at competitive bidding. Proceeds will be used for debt repayment and for construction. Bids expected March 19. V. 218, p. 1384.

#### OHIO EDISON CO.

47 N. Main St., Akron, OH, Jan. 11, 1974 filed 450,000 shares of \$100 cumulative preferred stock, to be offered at competitive bidding. Proceeds will be used for construction and for debt repayment. Bids expected at 11 a.m., on Feb. 13. V. 218, p. 910.

#### ORANGE & ROCKLAND UTILITIES, INC.

75 West Route 59, Spring Valley, NY, Jan. 24, 1974 filed 1,500,000 shares of common, to be offered at \$14.75 per share. Proceeds will be used for debt repayment. Merrill Lynch, Pierce, Fenner & Smith Inc., NY, will manage the underwriting. Offering expected on March 5.

#### ORANGE & ROCKLAND UTILITIES, INC.

75 West Route 59, Spring Valley, NY, Jan. 24, 1974 filed \$30,000,000 of first mortgage bonds, series N, due 2004, to be offered at competitive bidding. Proceeds will be used for debt repayment. Bids expected at 11 a.m., on March 5.

#### PENNSYLVANIA POWER CO.

1 East Washington St., New Castle, PA, Jan. 11, 1974 filed 80,000 shares of \$100 cumulative preferred stock, to be offered at competitive bidding. Proceeds will be used for debt repayment, and to finance construction. Bids expected at noon, on Feb. 14, V. 217, p. 1148.

#### PUGET SOUND POWER & LIGHT CO.

Puget Power Bldg., Bellevue, WA, Jan. 16, 1974 filed \$30,000,000 of first mortgage bonds, due March 1, 2004, to be offered at competitive bidding. Proceeds will be used to repay debt incurred for construction. Bids expected on Feb. 28, at 11 a.m. V. 218, p. 1723.

#### SOUTHERN BELL TELEPHONE & TELEGRAPH CO.

67 Edgewood Ave., S.E., Atlanta, GA, Jan. 25, 1974 filed \$300,000,000 of debentures, due Feb. 15, 2014, to be offered at 100 per cent. Proceeds will be used to repay debt incurred for construction. Salomon Brothers; Merrill Lynch, Pierce, Fenner & Smith, Inc.; Goldman, Sachs & Co.; Kidder, Peabody & Co.; and Lehman Brothers, Inc., NY will manage the underwriting. Offering expected Feb. 14.

#### SOUTHERN CALIFORNIA EDISON CO.

2244 Walnut Grove Ave., (PO Box 800) Rosemead, CA, Jan. 14, 1974 filed \$200,000,000 of first and refunding mortgage bonds, series CC, due 1999, to be offered at competitive bidding. Proceeds will be used to reimburse the company for funds expended for construction. Bids expected on Feb. 13, at 9 a.m. V. 218, p. 1906.

#### TEXAS OIL & GAS CORP.

2700 Fidelity Union Tower, Dallas, TX, Jan. 23, 1974 filed \$25,000,000 of first mortgage bonds, series E due 1984, to be offered at 101 per cent. The company, which is engaged primarily in gathering, processing, transporting and selling natural gas, will use the proceeds to repay debt and to expand gathering systems and to acquire properties. Kuhn, Loeb & Co.; and First Boston Corp.; NY, will manage the underwriting. Offering expected on Feb. 5.

#### TEXAS POWER & LIGHT CO.

1511 Bryan St., Dallas, TX, Jan. 23, 1974 filed \$50,000,000 of first mortgage bonds due 2004; and 300,000 shares of cumulative preferred stock, to be offered at competitive bidding. Proceeds will be used for construction. Bids expected on the bonds at 11 a.m., and on the preferred at 12 noon, on Feb. 21.

## Reg. "A's"

#### ACCURATE ELECTRONICS INC.

14545 Friar St., Van Nuys, CA, Nov. 15, 1973 filed a Reg. A covering 200,167 shares of common, to be offered at \$1.20 per share (199,167 shares are restricted to registered holders of the company's 8 per cent series A convertible debentures).

#### ALASKA HOTEL PROPERTIES INC.

208 N. Franklin St., Juneau, AK Dec. 3, 1973 filed a Reg. A covering 250,000 shares of common, to be offered at \$2 per share. V.211, p.1473.

#### AMERICAN ACUPUNCTURE MEDICAL INSTRUMENTS INC.

1001 South Andrews Ave., Ft. Lauderdale, FL, Nov. 26, 1973 filed a Reg. A covering 500,000 shares of common, to be offered at \$1 per share. The company was formerly known as American Acupuncture Machine & Equipment Corp. First Broward Securities Inc., Ft. Lauderdale, FL, will manage the underwriting. Offering expected early Feb.

#### AMERICAN RECREATIONAL PRODUCTS INC.

1504 Highway 99, Lynwood, WA, Dec. 4, 1973 filed a Reg. A covering 300,000 shares of common, to be offered at \$1 per share.

#### BEVERAGE CORP. OF FLORIDA

12955 Northeast 14th St., North Miami, FL, Dec. 5, 1973 filed a Reg. A covering 125,000 shares of common, to be offered at \$4 per share.

#### CINEVIDEO INTERNATIONAL CORP.

1050 Midland Bank Bldg., Minneapolis, MN, Dec. 11, 1973 filed a Reg. A covering 175,000 shares of common, to be offered at \$1.15 per share.

#### DELTA STEEL CORP.

1745 E. Factory, Tucson, AR, Dec. 4, 1973 filed a Reg. A covering 500,000 shares of common, to be offered at \$1 per share. V.217, p.829.

#### FEPTO INC.

2201 Washington Ave. North, Minneapolis, MN, Oct. 23, 1973 filed a Reg. A covering 140,000 shares of common, to be offered at \$1.50 per share. Anchor Securities Inc., St. Paul, MN will manage the underwriting. Offering expected April 23.

#### FORT DAVID LABORATORIES, INC.

14350 N.W. 24th Ave., Opa Locka, FL, Oct. 15, 1973 filed a Reg. A covering 90,000 shares of common, to be offered at \$4 per share. Hurlish Solomon, Hollywood, FL, will manage the underwriting.

#### GEOHERMAL ENERGY & MINERAL CORP.

325 South Third St., Suite 1, Las Vegas, NV, Nov. 16, 1973 filed a Reg. A covering 100,000 shares of common, to be offered at \$2.50 per share. Priestly & Pace Securities Inc., Las Vegas, NV will manage the underwriting.

#### GROWTH RESEARCH & MANAGEMENT INC.

110 East Blvd., Universal City, TX, Dec. 6, 1973 filed a Reg. A covering 62,500 shares of common, to be offered at \$2 per share. The company was formerly known as Military Services Investment Advisors Inc.

#### GUARANTEE FINANCIAL CORP. OF CALIFORNIA

1177 Fulton Mall, Fresno, CA, Nov. 30, 1973 filed a Reg. A covering 763 shares of common, to be offered at \$2 per share.

#### I.M.O.K. INVESTMENT CORP.

R.R. 1, Brookville, OH, Dec. 3, 1973 filed a Reg. A covering 994 shares of common, to be offered at \$500 per share.

#### IMAGE MAGNIFICATION INC.

538 Bloomfield Ave., Verona, NJ, Oct. 29, 1973 filed a

Reg. A covering 250,000 shares of common, to be offered at \$2 per share. GOTHAM Securities Corp., NY will manage the underwriting. (1)

#### INCOM INC.

205 Chapin St., Southridge, MA, Nov. 28, 1973 filed a Reg. A covering 10,000 shares of common, to be offered at \$50 per share. V.211, p.472.

#### JEWELS BY MARTINEZ INC.

8 West 36th St., NY, Oct. 1, 1973 filed a "Reg. A" covering 100,000 shares of common, to be offered at \$5 per share. Brooks Hamburger Securities Co., Inc., NY NY, will manage the underwriting. Offering expected late Feb. V.217, p.880.

#### MED DATA INC.

2715 Marshall Court, Madison, WI, Dec. 6, 1973 filed a Reg. A covering 50,000 shares of common, to be offered at \$4.40 per share. The company was formerly known as Instant Ideas. FPC Securities Corp., Madison, WI, will manage the underwriting.

#### MIV INC.

120 E. 8th St., Cincinnati, OH, Nov. 30, 1973 filed a Reg. A covering 52 shares of common, to be offered at \$2,000 per share.

#### NORTHWEST DISTILLERS INC.

3516 North Lilac Dr. Minneapolis, MN, Nov. 5, 1973 filed a Reg. A covering 140,000 shares of common, to be offered at \$2.50 per share. Anchor Securities Inc., Minneapolis, MN will manage the underwriting. Offering expected Feb. 4.

#### OMNIBUS GROUP INC.

3445 Peachtree Rd., N.E., Ste. 925, Atlanta, GA, Oct. 29, 1973 filed a Reg. A covering 75,000 shares of common, to be offered at \$6 per share. The company was formerly known as Omnibus Management Corp. Higgs Inc., Knoxville, TN, will manage the underwriting. Offering expected in early Feb.

#### OVERTRANSPORT, INC.

955 Main St., Bridgeport, CT, Oct. 23, 1973 filed a Reg. A covering 100,000 shares of common, to be offered at \$5 per share. Phillips, Appel & Walden Inc., NY will manage the underwriting.

#### PACIFIC CROSS INTERNATIONAL

431 South 3rd East, Ste. 100, Salt Lake City, UT, Nov. 29, 1973 filed a Reg. A covering 100,000 shares of common, to be offered at \$1 per share. E.H. Coltharp & Co. Salt Lake City, UT will manage the underwriting.

#### REGAL MUFFLER CENTERS INC.

1311 Northern Blvd., Manhasset, NY, Oct. 29, 1973 filed a Reg. A covering 150,000 shares of common, to be offered at \$1 per share. BI Planning Security Corp. of New York, Farmingdale, NY will manage the underwriting. Offering expected Feb. 28. (1)

#### SEMI-DYNE ELECTRONICS CORP.

44 Bennington Ave., Freeport, NY, Dec. 3, 1973 filed a Reg. A covering 125,000 shares of common, of which 114,600 shares are offered by the underwriter and 10,400 shares are offered by certain shareholders for account of selling stockholders, to be offered at \$4 per share. Alpha Capital Ventures Corp., NY will manage the underwriting. V.216, p.612.

#### SNOW GOOSE ENTERPRISES LTD.

Gaysville VT, Nov. 28, 1973 filed a Reg. A covering 200,000 shares of common, to be offered at \$2.50 per share.

#### TELCOA INTERNATIONAL CORP.

16 Church St., Greenwich, CT, Oct. 10, 1973 filed a Reg. A covering 160,000 shares of common, to be offered at \$3 per share. Universal Underwriting Service Inc., Salt Lake City, UT will manage the underwriting. (1)

#### TEXT CRAFT INC.

2828 West Weldon Ave., Phoenix, AR, Nov. 29, 1973 filed a Reg. A covering 83,077 shares of common, to be offered at \$3.25 per share, with a minimum purchase of \$2,825.

#### VIBRATRONICS INC.

7605 S. E. 27th Mercer Island, WA, Nov. 13, 1973 filed a Reg. A covering 150,000 shares of common, to be offered at \$1 per share. Koss Securities Corp. NY, will manage the underwriting. Offering expected Feb. 14. (1)

#### WELLINGTON ASSOCIATES LTD. INC.

129 Trinity Pl., Decatur, GA, Nov. 21, 1973 filed a Reg. A covering 1,000,000 shares of class A common, to be offered at \$0.50 per share.

## Bank Holding Co.

#### BANKERS TRUST NEW YORK CORP.

280 Park Ave., NY, Dec. 21, 1973 filed \$50,000,000 of series D debentures due 1981, to be offered at 100 per cent. This registered bank holding company will add part of its proceeds to equity capital, and part to its general funds. Lehman Brothers, Inc., NY, will manage the underwriting. V.218, p. 1723.

#### CAPITAL FIRST CORP.

1700 Market St., Philadelphia, PA, Dec. 28, 1973 filed \$50,000,000 of convertible subordinated debentures due 1994, to be offered at 100 per cent; and an unspecified amount of shares of common reserved for issuance upon conversion of debentures. This bank holding company will add its proceeds to its general funds. Katz, Needelman & Co., Inc., Washington, D.C., will manage the underwriting. Offering expected Feb. 7.

#### FIRST NATIONAL BOSTON CORP.

100 Federal St., Boston, MA, Jan. 18, 1974 filed \$100,000,000 of notes due July 15, 1981, to be offered at 100 per cent. This bank holding company will add its proceeds to its general funds. First Boston Corp., NY, will manage the underwriting. Offering expected Feb. 14. V.218, p.1948.

#### NEW ENGLAND MERCHANTS CO., INC.

Prudential Center, Boston, MA, Oct. 19, 1973 filed \$15,000,000 of debentures due 1988. This bank holding company will use proceeds for debt repayment. Kidder, Peabody & Co., Inc., NY will manage the underwriting.

#### SECURITY PACIFIC CORP.

561 South Spring St., Los Angeles, CA, Jan. 18, 1974 filed \$100,000,000 of notes due 1982; and \$50,000,000 of debentures due 2004, both to be offered at 100 per cent. This bank holding company will invest its proceeds in equity of the principal subsidiary, repayment of borrowings, and for general corporate purposes. First Boston Corp; Merrill Lynch, Pierce, Fenner & Smith Inc., NY; and Dean Witter & Co., Inc., San Francisco, CA, will manage the underwriting. Offering expected on Feb. 5. V.219, +7375, p. 19.

## Mutual Funds

AMERICAN GENERAL OPTION INVESTORS, INC.  
3910 Keswick Rd., Baltimore, MD, Nov. 9, 1973 filed 2,000,000 shares of common, to be offered at \$25 per share; and 200,000 shares of common (registered to cover over-allotments), to be offered at \$25 per share. The company is a new, closed-end, diversified management investment company whose primary objective will be to seek revenue in the form of premiums from writing puts and calls. Goldman, Sachs & Co.; Reynolds Securities Inc.; E.F.Hutton & Co., Inc., NY; and Alex Brown & Sons, Baltimore, MD, will manage the underwriting.

#### AMERICAN OPTION WRITERS FUND

6 Central Row, Hartford, CT, Oct. 19, 1973 filed 700,000 of limited partnership units, to be offered at \$15 per unit. The company is a closed end investment company formed primarily to earn income from writing option contracts against a portfolio for securities. Advent Co., Hartford, CT, will manage the underwriting. V. 213, p. 1469.

#### CORPORATE BOND TRUST, SERIES I

140 Broadway, NY, Nov. 28, 1973 filed 10,000 units. The company is a unit investment trust. Paine, Webber, Jackson & Curtis, Inc., NY is the depositor.

#### CORPORATE INVESTMENT TRUST FUND SECOND MONTHLY PAYMENT SERIES

c-o Bache & Co., Inc., 100 Gold St., NY, Oct. 26, 1973 filed 10,000 units. The trust consists of a diversified portfolio. Bache & Co., Inc. will manage the underwriting. This offering is expected Feb. 4. (1)

#### E.F. HUTTON TAX-EXEMPT FUND, NATIONAL SERIES 12

1 Battery Park Plaza, NY, Jan. 25, 1974 filed 11,250 units of the fund (including 3,750 units registered for resale by the depositor). The fund is a \$7,500,000 diversified portfolio of interest-bearing municipal bonds. E.F. Hutton & Co., Inc., NY, is the depositor. Offering expected Feb. 27.

#### GOLDEN GATE INCOME SECURITIES, INC.

44 Montgomery St., San Francisco, CA, Oct. 19, 1973 filed 2,400,000 shares of common, to be offered at \$25 per share, with a minimum purchase of 40 shares. The company is a new, closed end, diversified management investment company. Dean Witter & Co., Inc., San Francisco, CA; and First Boston Corp. NY will manage the underwriting.

#### GOLDEN GATE INCOME SECURITIES, INC.

44 Montgomery St., San Francisco, CA, Oct. 19, 1973 filed 2,400,000 shares of common, to be offered at \$25 per share, with a minimum purchase of 40 shares. The company is a new, closed end, diversified management investment company. Dean Witter & Co., Inc., San Francisco, CA; and First Boston Corp. NY will manage the underwriting.

#### GOVERNMENT SECURED INVESTMENTS, INC.

P.O. Box 7650, 550 Laurel St., San Francisco, CA, Oct. 11, 1973 filed 100,000 shares of common, to be offered at \$25 per share, with a minimum initial purchase of \$1,000. The company is a newly formed, open-end nondiversified management investment company. American Express Asset Management Co., will manage the offering.

#### HARRIS, UPHAM TAX-EXEMPT FUND, SECOND SERIES

120 Broadway, NY, Oct. 31, 1973 filed 7,500 units. The Fund is a unit investment trust formed for the purpose of investing in tax exempt bonds. Harris, Upham & Co., Inc., NY will manage the underwriting.

#### INDEX FUND OF AMERICA, INC.

P.O. Box 7650, 550 Laurel St., San Francisco, CA, Oct. 11, 1973 filed 3,500 shares of common, to be offered at \$150 per share. The company is a newly formed, open-end diversified management investment company. American Express Asset Management Co., will manage the underwriting.

#### MUNICIPAL BOND FUND, SERIES 10

c-o Paine, Webber, Jackson & Curtis Inc., 140 Broadway, NY, Oct. 10, 1973, filed 20,000 units. Paine, Webber, Jackson & Curtis Inc., NY, Dean Witter & Co., Inc., San Francisco; and Reynolds Securities Inc., NY, will handle the underwriting.

#### NUVEEN TAX-EXEMPT BOND FUND, SERIES 54 CHECK-A-MONTH PLAN

209 South La Salle St., Chicago, IL, Jan. 28, 1974 filed 150,000 units (including 50,000 units registered for resale), to be offered at \$105 per unit. The fund is a diversified portfolio of tax-exempt interest bearing bonds. John Nuveen & Co., Inc., NY is the depositor.

#### TDP&L INVESTMENT ACCOUNT "B", INC.

28 State St., Boston, MA, Nov. 28, 1973 filed 250,000 shares of common, to be offered at \$100 per share. The company is a diversified, open-end investment company. Thara-

dlke, Doran, Paine & Lewis, Inc., was named investment manager.

**UNITED INCOME INVESTMENT PROGRAM**  
1 Crown Center, P.O. Box 1343, Kansas City, MO, Nov. 7, 1973 filed \$10,000,000 of monthly investment programs under which an investor makes regular monthly investments at a price of \$30 to \$350 over a ten year period. The program offers an opportunity to indirectly accumulate shares of United Income Fund, which is a class of shares of United Fund Inc. Waddell & Reed, Inc., Kansas City, MO, is the depositor.

## Issues Filed With SEC This Week

The following registration statements were declared effective this week by the SEC. Offering details where available will be carried in the Monday issue of the "Chronicle." Noted here also are other offerings made this week.

**ACF INDUSTRIES, INC.**  
750 Third Ave., NY, Feb. 4, 1974 filed 36,313 shares of common, to be offered at \$59.625 per share; and an estimated 2,100 shares of outstanding common, contingently issuable in the future. (N)

**AMERICAN STERILIZER CO.**  
2222 West Grandview Blvd., Erie, PA, Jan. 31, 1974 filed 5,424 shares of common, to be offered from time to time at \$11.50 by a certain selling. (N) w-shareholder-

**ANTARES OIL CORP.**  
924 Patterson Bldg., 555-17th St., Denver, CO, Dec. 20, 1973 filed a Reg. A covering 5,000,000 shares of common, to be offered at \$0.10 per share, (4,500,000 shares, to be offered at \$0.10 per share to the public; and 500,000 shares to be offered at \$0.05 per share to certain individuals in exchange for outstanding convertible promissory notes. First Western Securities of Wyoming Inc., Caspar, NY, will manage the underwriting. (N)

**ATLAS ENGINEERING CO.**  
Jan. 30, 1974 filed 160,000 units, to be offered at \$25 per unit, (each unit consists of 1 share of common and 1 share of 8 per cent non cumulative convertible preferred stock). The company, which manufactures and markets construction machinery, will add its proceeds to its capital. (N)

**CENTRAL ILLINOIS PUBLIC SERVICE CO.**  
607 East Adams St., Springfield, IL, Feb. 4, 1974 filed \$35,000,000 of first mortgage bonds, series Q, due March 1, 2004, to be offered at competitive bidding. Proceeds will be used for construction and to repay debt incurred for that purpose. Bids expected on March 6, at 11 a.m. (Chicago time). (N)

**COMTECH CENTURE FUND, INC.**  
One Investment Place, Baltimore, MD, Feb. 4, 1974 filed 200,000 shares of common, to be offered at \$500 per unit (each unit equals 100 shares). The company, which was organized to trade in commodity futures contracts, will invest the proceeds in U.S. Treasury bills, to be kept as margins and reserves for commodity trading purposes. (N)

**CONNECTICUT LIGHT & POWER CO.**  
Selden St., Berlin, CT, Jan. 31, 1974 filed \$65,000,000 of series AA first and refunding mortgage bonds; and 1,000,000 shares of series K preferred stock, both to be offered at competitive bidding. Proceeds will be used for debt repayment. Bids expected at 11 a.m. on the bonds, and at noon for the preferred, on March 21. (N)

**CONSOLIDATED EDISON CO. OF NEW YORK INC.**  
4 Irving Place, NY, Jan. 31, 1974 filed \$150,000,000 of first and refunding mortgage bonds, series OO, due March 1, 2004, to be offered at competitive bidding. Proceeds will be used to repay debt incurred for construction. Bids expected on March 7 at 11 a.m. (N)

**DFD 1973 LIMITED PARTNERSHIP**  
3443 North Central Ave., Phoenix, AZ, Jan. 30, 1974 filed 1,110 limited partnership units, to be offered at \$10,000 per unit, (purchasers of 1 unit may purchase additional units in multiples of 1/2 a unit). The partnership will construct, own and operate five garden-type adult apartment projects in the Southwest. (N)

**DYCO CHEMICALS & COATINGS INC.**  
5850 Ulmerton Rd., Clearwater, FL, Dec. 26, 1973 filed a Reg. A covering 70,000 shares of common, to be offered at \$5 per share. (N)

**ENVIRONMENTAL COMBUSTION CONTROL SYSTEMS INC.**  
135 S. LaSalle St., Chicago, IL, Dec. 26, 1973 filed a Reg. A covering 50,000 shares of common, to be offered at \$10 per share. (N)

**ENVIRO-SYSTEMS, LTD.**  
1025 Ashworth Road, West Des Moines, IA, Feb. 4, 1974 filed 200,000 shares of common, to be offered at \$5 per share. This new company, which holds a threestate license to manufacture and sell a municipal solid waste treatment system, will use its proceeds for debt repayment. (N)

**FERGUSON OIL CO.**  
2700 Liberty Tower, Oklahoma City, OK, Jan. 30, 1974 filed 1,500 preformation limited partnership interests and limited partnership interests in Ferguson Drilling Program - 1974, a limited partnership, and its drilling

partnerships, to be offered at \$5,000 per unit, plus possible mandatory assessments not to exceed \$1,000 per unit, with a minimum subscription of 2 units. The partnership will drill for oil and gas. (N)

**GENERAL MILLS, INC.**  
9200 Wayzata Blvd., Minneapolis, MN, Feb. 1, 1974 filed \$100,000,000 due Feb. 15, 1999, to be offered at 101 per cent. Proceeds will be added to the company's general fund and for debt reduction. Dillon, Read & Co., Inc., NY, will manage the underwriting. (N)

**HAYDEN ISLAND, INC.**  
Interstate Highway 5 at Jantzen Beach, Portland, OR, Jan. 30, 1974 filed \$2,000,000 of convertible subordinated debentures due 1998, to be offered at 100 per cent; and an unspecified amount of shares of common to cover conversion. The company will use its proceeds to finance the development of 375 acres of land which it owns on Hayden Island in the Columbia River. (N)

**INGERSOLL-RAND CO.**  
P.O. Box Woodcliff Lake, NJ, Feb. 6, 1974 filed \$100,000,000 of debentures due 2004, to be offered at 101 per cent. The company, which manufactures and sells machinery and equipment throughout the world, will use the proceeds for debt repayment and to add to company general funds. Morgan Stanley & Co., Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc.; and Smith Barney Inc., NY, will manage the underwriting. (N)

**K B MARKETING SYSTEMS, INC.**  
198 Penn St., Brilliant, OH, Feb. 1, 1974 filed 682,716 shares of series A cumulative convertible preferred stock, to be offered at \$7.50 per share; and an indeterminate amount shares of common stock which may be issuable upon conversion of the preferred stock, to be offered in connection with an exchange offer with Epko Shoes, Inc., on a basis of one share of the company's preferred for each Epko common. (N)

**MANUFACTURERS HANOVER CORP.**  
350 Park Ave., NY, Feb. 4, 1974 filed \$100,000,000 of sinking fund debentures due March 1, 2004; and \$50,000,000 of notes due September 1, 1981, both to be offered at 100 per cent. This bank holding company will add the proceeds to the equity capital of the subsidiary bank, - Manufacturers Hanover Trust Co. Salomon Brothers; and Merrill Lynch, Pierce, Fenner & Smith, Inc., NY, will manage the underwriting. (N)

**METRO-GOLDWYN-MAYER INC.**  
10202 West Washington Blvd., Culver City, CA, Feb. 1, 1974 filed \$19,506,500 of 10 per cent subordinated debentures due 1993, to be offered in exchange at the rate of \$650 principal amount of the 10 per cent subordinated debentures for each \$1,000 principal amount of the presently outstanding 5 per cent convertible subordinated debentures due 1993. Blyth Eastman Dillon & Co., Inc.; and Dominick & Dominick, Inc., NY, will manage the underwriting. (N)

**MUNICIPAL INVESTMENT TRUST, FUND, 21ST MONTHLY PAYMENT SERIES**  
Jan. 30, 1974 filed 45,000 units (including 5,000 units registered for resale). Merrill Lynch, Pierce, Fenner & Smith Inc.; and Bache & Co., Inc., NY are the sponsors. (N)

**MUNICIPAL INVESTMENT TRUST FUND, SIXTH NEW YORK SERIES**  
Feb. 5, 1974 filed 44,500 units, including 2,500 units registered for the purpose of resale. Merrill Lynch, Pierce, Fenner & Smith Inc.; and Bache & Co., Inc., NY are the sponsors. (N)

**NCNB CORP.**  
200 South Tryon St., Charlotte, NC, Feb. 1, 1974 filed \$75,000,000 of sinking fund debentures due 1999, to be offered at 101 per cent. This bank holding company will use its proceeds to increase the capital funds of the subsidiary bank, and for loans to other subsidiaries. Salomon Brothers, NY, will manage the underwriting. (N)

**NARRAGANSETT ELECTRIC CO.**  
280 Melrose St., Providence, RI, Feb. 6, 1974 filed \$10,000,000 of first mortgage bonds, series J, to be offered at competitive bidding. (Bonds issuable in denominations of \$1,000 and multiples thereof.) Proceeds will be used for debt repayment. Bids expected on March 20. (N)

**SCOTT & FETZER CO.**  
400 INA Bldg., 14701 Detroit Ave., Lakewood, OH, Jan. 31, 1974 filed 121,675 shares of outstanding common, to be offered at \$20.625 per share from time to time. (N)

**SHAWMUT ASSOCIATION INC.**  
82 Devonshire St., Boston, MA, Feb. 6, 1974 filed \$30,000,000 of sinking fund debentures due 1999, to be offered at 101 per cent. This registered bank holding company will use the proceeds for a variety of purposes, including additional capital for the principal subsidiary, debt repayment, and for the proposed purchase of Equipment Leasing Co., and to provide working capital. Salomon Brothers; and Kidder Peabody & Co., Inc., NY will manage the underwriting. (N)

**SILVER FALCON INC.**  
9842 Gravelly Lake Dr., S.W., Tacoma, WA, Dec. 18, 1973 filed a Reg. A covering 100,000 shares of common, to be offered at \$5 per share. (N)

**TELECOM EQUIPMENT CORP.**  
34-21 Review Ave., Long Island City, NY, filed 110,000 units, to be offered at \$12 per unit (2 shares of common and 1 warrant to purchase common); 120,000 shares of common issuable upon exercise of warrants; 20,000 warrants; and 20,000 shares of common, to be offered at \$8 per share. The company, which sells and installs telephone equipment services, will use its proceeds for accounts receivable, to obtain additional inventory, and for general working capital. Executive Security, Miami, FL, will manage the underwriting. (N)

**TENNESSEE VALLEY BANCORP, INC.**  
400 Union St., Nashville, TN, Feb. 1, 1974 filed 330,000 shares of common, to be offered at \$29.75 per share, in connection with a proposed merger of Old & Third National Bank of Union City, into a subsidiary of the company, on a 7.1111-for-1 basis. (N)

**UNISERVE CORP.**  
7434 West Wisconsin Ave., Wauwatosa, WI, Dec. 10, 1973 filed a Reg. A covering 20,000 shares of common, to be offered at \$25 per share. (N)

## Effective Registrations

**AUBREY K. JOHNSON**  
Twelve Federal Land Banks \$389,000,000 of 7.15 per cent consolidated bonds series D due July 23, 1979, offered at 100 per cent, on Jan. 31, by Aubrey K. Johnson, Fiscal Agent, NY.

**BACHE & CO., INC.**  
Corporate Investment Trust Fund, Second Monthly Payment Series 6,000 units, offered at \$1,032.57 per interest on Feb. 6, by Bache & Co., Inc., NY.

**BLYTH EASTMAN DILLON & CO., INC.**  
Tucson Gas & Electric Co. 150,000 shares of 8.50 per cent cumulative preferred, offered at 100 per cent plus accrued dividends, on Feb. 4, by Blyth Eastman Dillon & Co., Inc.; and First Boston Corp., NY.

**W.E. BURNET INC.**  
Kenal Drilling Co. 425,000 units, offered at \$450 per unit, on Feb. 1, by W.E. Burnet Inc., NY.

**DAIN, KALMAN & QUAIL, INC.**  
Dyco Petroleum Corp. \$2,500,000 of units offered at \$5,000 per unit, with a minimum purchase of 1 unit, on Feb. 4, by Dain, Kalman & Quail, Inc., Minneapolis, MN.

**FEDERAL HOME LOAN BANKS**  
Federal Home Loan Banks \$300,000,000 of 6.80 per cent consolidated bonds, series K-1975, offered at 100 per cent; and \$300,000,000 of 7.05 per cent consolidated bonds, series C-1980, offered at 100 per cent, in minimum denomination of \$10,000, on Feb. 6, by Marshall Burkes, Director of the Office of Finance, and a nationwide selling group of recognized dealers in securities.

**FIRST BOSTON CORP.**  
Public Service Co. of Indiana \$50,000,000 of 8 per cent first mortgage bonds, series T, due Feb. 1, 2004, rated Aa by Moodys and AA by both Standard & Poors and Fitch, offered at 100.375 per cent plus accrued interest, to yield 7.97 per cent, on Feb. 4, by First Boston Corp.; Lehman Brothers Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc.; and Salomon Brothers, NY.

**Security Pacific Corp.** \$150,000,000 of 7.70 per cent notes due 1982, rated AAA by Fitch, offered at 100 per cent plus accrued interest, on Feb. 4, by First Boston Corp.; Merrill Lynch, Pierce, Fenner & Smith Inc., NY; and Dean Witter & Co., Inc., San Francisco, CA.

**Union Electric Co.** \$70,000,000 of 8 3/4 per cent first mortgage bonds due 2004, rated Aa by Moodys and A by Standard & Poors, offered at 101.75 per cent plus accrued interest, to yield 8.2+2 per cent, on Feb. 5 by First Boston Corp., NY; Halsey, Stuart & Co., Inc., Chicago, IL; Merrill Lynch, Pierce, Fenner & Smith, Inc.; White, Weld & Co., Inc.; Goldman, Sachs & Co.; and Stone & Webster Securities Corp., NY.

**HALSEY, STUART & CO., INC.**  
New York State Electric & Gas Corp. \$60,000,000 of 7 1/2 per cent first mortgage bonds, due Aug. 1, 1981, rated Aa by Moodys and AA by Standard & Poors, offered at 100.707 per cent plus accrued interest, to yield 7.50 per cent, on Feb. 6, by Halsey, Stuart & Co., Inc., Chicago, IL; Blyth Eastman Dillon & Co., Inc.; Goldman, Sachs & Co.; Lehman Brothers Inc.; and Merrill Lynch, Pierce, Fenner & Smith, Inc., NY.

**KUHN, LOEB & CO.**  
Texas Oil & Gas Corp. \$35,000,000 of 8 1/4 per cent first mortgage bonds, series E, due 1994, rated A by both Moodys and Standard & Poors, offered at 100 per cent plus accrued interest, on Feb. 5, by Kuhn, Loeb & Co.; and First Boston Corp., NY.

**LEHMAN BROTHERS INC.**  
New York State Electric & Gas Corp. 1,000,000 shares of 8.48 serial cumulative preferred, offered at \$25.70 per share plus accrued dividends, to yield 8.25 per cent, on Feb. 6, by Lehman Brothers Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc.; and Salomon Brothers, NY.

**PATRICK PROGRAM, INC.**  
Patrick Oil & Gas Corp. 2,400 1974 combination program limited partnership interests, offered at \$5,000 per unit, with a minimum purchase of 1 unit, on Jan. 31, by Patrick Program, Inc., Bloomfield Hills, MI.

**SALOMON BROTHERS**  
Union Pacific Railroad Co. \$15,000,000 of 7 3/4 per cent equipment trust No. 1 of 1974 certificates, rated Aaa by Moodys and AAA by Standard & Poors, offered on Feb. 5, to yield from 7.35 per cent for those maturing in Jan. 1, 1975 out to 7.75 per cent for those due Jan. 1, 1987, 1988 and 1989, by Salomon Brothers, NY.

**WILLIS E. BURNSIDE & CO., INC.**  
Black Giant Oil Co. 300,000 shares of common, offered at \$1 per share, on Feb. 6, by Willis E. Burnside & Co., Inc., NY.

## Prospective Offerings

**AMERICAN ELECTRIC POWER CO. (3-28)**  
Jan. 28, 1974 it was reported that this company plans the offering of 7,000,000 shares of common to stockholders of record March 28 on a 1-for-10 basis. Underwriter - Competitive bidding. Bids expected on March 28.

**ARKANSAS POWER - LIGHT CO. (4-18)**  
Jan. 28, 1974 it was reported that this company plans the sale of \$40,000,000 first mortgage bonds. Underwriter - Competitive bidding. Bids expected on April 18 at noon.

**CENTRAL ILLINOIS PUBLIC SERVICE CO. (3-6)**  
Dec. 24, 1973 it was reported that this company plans the sale of \$35,000,000 of bonds. Underwriter - Competitive bidding. Bids - Expected March 6, at noon. V. 218 p. 1481.

**CHESAPEAKE & POTOMAC TELEPHONE CO. OF VIRGINIA (4-2)**  
Feb. 4, 1974 it was reported that this company plans the sale of approximately \$100,000,000 of debentures. Method of sale is to be determined. Bids expected on April 2.

**DELMARVA POWER & LIGHT CO. (4-18)**  
Jan. 14, 1974 it was reported that, in addition to the sale of bonds, this company plans the sale of 1,400,000 shares of common. Underwriter - Competitive bidding. Bids expected on April 10, at 4 p.m. V. 218, p. 1394.

**DETROIT EDISON CO. (3-12)**  
Jan. 28, 1974 it was reported that this company plans the sale of about \$69,000,000 of preferred. Underwriters - Morgan Stanley & Co.; Blyth Eastman Dillon & Co.; and Lehman Brothers, N.Y. Offering Expected March 12.

**GENERAL TELEPHONE CO. OF UPSTATE NEW YORK (4-4)**  
Feb. 4, 1974 it was reported that this company plans the sale of \$14,000,000 of 30-year first mortgage bonds. Underwriter - Competitive bidding. Bids expected on April 4, at 11 a.m.

**HARTFORD ELECTRIC LIGHT CO. (4-8)**  
Feb. 4, 1974 it was reported that this company plans the sale of \$30,000,000 of first mortgage bonds. Underwriter - Competitive bidding. Bids expected on April 9, at 11 a.m.

**INDIANAPOLIS POWER & LIGHT CO.**  
Jan. 28, 1974 it was reported that this company plans the sale of about \$60-65,000,000 of debt sometime in March. Method of sale to be determined.

**KENTUCKY UTILITIES CO. (4-8)**  
Jan. 28, 1974 it was reported that this company plans the sale of \$25,000,000 of first mortgage bonds. Underwriters - Competitive bidding. Bids expected April 8.

**LACLEDE GAS CO. (3-27)**  
Dec. 31, 1973 it was reported that this company plans the sale of \$20,000,000 of first mortgage bonds due March 15, 1999. Underwriter - Competitive bidding. Bids - Expected March 27, at 11 a.m. V. 215, p. 1907.

**LONE STAR GAS CO. (3-12)**  
Jan. 24, 1974 it was reported that this company plans the sale of \$45,000,000 of bonds. Underwriter - Competitive bidding. Bids expected on March 12, at 11 a.m. V. 217, p. 1228.

**NEW YORK TELEPHONE CO. (4-23)**  
Dec. 31, 1973 it was reported that this unit of American Telephone & Telegraph Co. plans the sale of \$200,000,000 of mortgage bonds. Method of sale to be determined. Offering - Expected April 23, V. 218, p. 361.

**PACIFIC GAS & ELECTRIC CO. (5-21)**  
Dec. 3, 1973 it was reported that this company plans the sale of \$150,000,000 of 32-year first-mortgage bonds. Underwriter - Competitive bidding. Bids - Expected May 21, at 11:30 a.m.

**PHILADELPHIA ELECTRIC CO.**  
Jan. 7, 1974 it was reported that in addition to the sale of preferred stock, this company plans the sale of \$100,000,000 of long term bonds in June; and \$125,000,000 of bonds in Dec. Underwriter - Competitive bidding V. 218, p. 1803

**PORTLAND GENERAL ELECTRIC CO. (3-12)**  
Jan. 28, 1974 it was reported that this company plans the sale of \$25-30,000,000 of common. Underwriters - Blyth Eastman Dillon & Co., NY; and Dean Witter & Co., San Francisco, CA. Offering expected on March 12.

**SOUTHERN PACIFIC TRANSPORTATION CO. (2-14)**  
Jan. 21, 1974 it was reported that this unit of Southern Pacific Co. plans the sale of \$15,000,000 of equipment trust certificates. Underwriter - Competitive bidding. Bids expected on Feb. 14. V. 218, p. 989.

**SOUTHWESTERN BELL TELEPHONE CO. (3-13)**  
Dec. 24, 1973 it was reported that this company plans the sale of up to \$200,000,000 of debentures. Underwriter - Competitive bidding. Bids - Expected March 13. V. 218, p. 807.

**WESTERN BANCORP.**  
Jan. 14, 1974 it was reported that this company plans the sale of \$100,000,000 of eight-year notes, in late Feb. Methods of sale are to be determined. V. 207, p. 1448.

**WISCONSIN POWER & LIGHT CO. (4-2)**  
Dec. 17, 1973 it was reported that this company plans the sale of \$35,000,000 of 30-year first mortgage bonds. Underwriter - Competitive bidding. Bids - Expected April 2, at 11 a.m.

## Hot and naked

Continued from page 1

However, those little premiums add up.

### A profit on Polaroid

For instance, last October when Polaroid was selling at about \$92 Stanley sold 75 January calls with a striking price of \$130. He chose 130 because he felt that the stock wouldn't get anywhere near the striking price, although he thought it might rally to 100 or 110. As time would tell, Polaroid was selling at 81  $\frac{1}{2}$  on January 31 and the option was never exercised. Stanley garnered his \$13,425 premium on zero investment before paying commissions amounting to \$1,400. At the same time he continued receiving 8 per cent on his Treasury bill collateral.

Had Stanley been willing to take more risk and sell an option with a striking price of 110 or 95, he might've obtained higher premiums and still not have to worry about stock, which he doesn't own, being called away.

However, Stanley's case may not be as unusual as it may seem. "In a bear market anyone who shorts is a hero," says Pomerance, who nonetheless notes that in the context of the present market "being naked is terrific."

### Gut feelings

Whether you are writing naked options or buying or selling with some other strategy, professional traders recommend you do as much, if not more, research than you would for investing in common stocks. Otherwise, as Robert Nielson of U.S. Options Corp. says, "You'll be throwing yourself at the wolves." He says you need a feel for market conditions—"a gut feeling of the market."

Pomerance advises option traders that in buying a call, downside risk is transferred to the seller who has a finite loss. At the same time the investor shouldn't buy a call unless he expects to at least double his premium.

One of the most important things to know is if the premium on the option is a good value. The average investor would do well to consult a professional trader in regard to this because those in the field for some length of time have developed a knowledge of what a proper premium is for a given stock. Some firms such as DLJ have developed computer programs that factor a number of elements to evaluate fair value. However, DLJ's Pomerance warns that this is just one basis for decision making, not the only one.

### Diversify for success

The experts suggest diversification and not writing options on stocks that you're not willing to buy and hold on an investment basis. "That's the way to success," says Paul Farmer, Schweikart & Co.'s options pro, who adds, "Back your opinions with options." He also suggests that random buying of options is not profitable and that a lot of money is wasted on options on stocks that probably will not go up by much. Calls, he says, shouldn't be bought unless you expect at least a 10 point gain.

As an example of what can happen with an insufficient gain, Farmer offers a hypothetical situation in which a large wire house with a good research staff issues a 15 page report recommending Westinghouse. The report implicitly states that the stock, which is presently selling for 24 may rise to 30. The option premium on a six month call, however, is four points, thus there is little room for gain on an option on this stock since the six points rise is wiped out by the four point premium and commission costs. Farmer suggests selecting stocks that are highly volatile with limited downside risk, but he notes that most brokers do not provide this kind of research, perhaps because of a lack of sensitivity or the prudent man rule.

Farmer does his own makeshift research and distributes it through a market letter called Option World. Lately his favorite option has been Northwest Airlines. He says his research is not much different than that used in researching common stocks, but it's necessary to look for other characteristics of behavior and the character of the option market. He says that airlines are more volatile than any other industry and at this point in time are more likely to gain in a relatively short span of time. Northwest Airlines is the only airline issue traded on the CBOE.

### Mostly for leverage

Once an investor has completed his research on the options market it's time to consider the various investment strategies. Besides going naked into options, there are numerous other techniques that range from the simple use of buying a call for leverage to more complex schemes involving spreads, straddles, hedges and arbitrage. Since there are so many books available on the subject, it's at best impractical to list them all, thus for practicality the Chronicle has selected the more popular schemes. Among them are:

—Buying a call to reduce risk. Take the hypothetical volatile stock XYZ, which is trading at 50. You expect a short term rally to the 70 level and have \$5,000 to commit to the situation. By committing the \$5,000 to the purchase of 100 shares of the stock, you stand to realize a 40 per cent profit if your market judgement is correct and the stock does rise to 70. This return could be increased even more if you bought the stock on margin. However, you decide that rather than buy 100 shares of stock, you commit the entire \$5,000 to purchase 8 XYZ calls at \$625 each. If your judgement is correct and XYZ advances to 70 during the life of the call, the result of your purchase strategy will be an impressive \$11,000 profit before commissions on your \$5,000 investment or more than a 200 per cent annualized return. This is the advantage of leverage and is one of the most widely used option strategies. However, had XYZ remained static or declined, by July, you would've suffered the loss of your entire \$5,000. This is clearly speculation in its most risky form.

—A more conservative leverage approach to the same stock and option is also among the most popular techniques being used. If you bought only one XYZ

July 50 call as an alternative to buying the stock and if your analysis proves correct and XYZ rises 20 points, you've realized a \$1,375 gain on your \$625 invested capital, while the balance of your \$5,000 has been protected from the risk of loss in this volatile stock. However, had XYZ stock begun to fall in July and is selling at 40, your July call of 50 is worthless and you have lost \$625 or 100 per cent of your investment in the option. (If you had bought the stock in January, by July you would've lost \$1,000.) Thus, you have limited your risk and have not jeopardized your entire \$5,000.

—You're holding a six-month call on a stock that has not shown any significant price change for two months and you've decided you want to get out. Using your CBOE option, you can still recoup a portion of your capital. Thus if XYZ stock is trading at 47 in March, you may be able to realize a price of 3  $\frac{1}{2}$  for your July 50 option for which you paid 6  $\frac{1}{4}$  in January. While you're still a loser, you've recovered more than half of your option investment.

—Suppose that instead of dropping to 47 in March, your stock has risen to 55 and you decide that you don't want the stock. You can still realize a profit by selling your option at this point for a price of 8 or 9 that reflects the stock's five point advance. Remember, when you hold an option with a profit for more than six months, the gain realized from its sale is a long-term capital gain.

—Calls can be used for protection of short stock positions. If the market suffers a serious decline, the profit potential on a short sale is excellent, while the loss incurred in the option is small and determinable. If you go short XYZ at 50 and buy a XYZ July 50 call for \$600 and the stock declines to 30, the short stock position produces a profit of \$2,000 and the call is worthless and produces a \$600 loss. The combined position has netted you \$1,400 minus commissions. On the other hand, had the short stock gone against you, your call enables you to acquire 100 shares of XYZ at 50 with your risk limited to the purchase price of your option.

—You can create your own convertible bonds, decide to commit about 90 per cent of your funds to a yield producing debt instrument and apply the remaining 10 per cent to the purchase of call options on a selected stock or stocks. You now have an investment that closely resembles a convertible bond, but it combines your choice of bond and your choice of stock. You can even choose Treasury bills and stocks. Thus you've given up part of your anticipated appreciation potential in exchange for an assurance of a solid stable return over a span of time, just as a convertible bond provides. Dr. Roger F. Murray, Professor of Banking and Finance at Columbia University, suggests that purchasing a call and a Treasury bill provides a floor which cannot be duplicated by a convertible bond.

### The sell side

Until now, the strategies that have been discussed have focused on the buying of options. Now, turning to the sell side, the investor will find less risks and although the profit is greater than ordinary

## Option market lexicon

**OPTION**—A contract allowing an investor to buy or sell 100 shares of stock at a specific price during a specific period of time, regardless of the market price of that stock.

**CALL**—An option contract giving the buyer the right to sell stock.

**PUT**—An option contract giving the buyer the right to sell the stock.

**WRITER**—The grantor of an option contract. Also called the maker.

**EXERCISE (or STRIKING) PRICE**—The price at which the buyer of a call can purchase the stock during the life of the option, and the price at which the buyer of a put can sell the stock during the life of the option.

**PREMIUM**—The price the buyer pays the writer for an option contract. (On the Chicago Board of Options Exchange this is synonymous with price.)

**EXPIRATION DATE**—This is the date an option contract expires. If is not exercised on or by this date it is worthless. On the CBOE, these dates are the last day of January, April, July and October.

investments, it is comparably less than on the buy side. Among the more popular selling strategies are:

—Preservation of capital with an investment return of about 15 per cent a year. Perhaps, the most conservative approach to dealing in options, this technique involves the purchase of an investment quality stock such as American Telephone & Telegraph and the simultaneous sale of a call upon this stock on the CBOE. Remember, even though there is a call outstanding against the stock you still own it and keep all dividends (this not the case in the conventional OTC option market). For example, say you bought 1,000 shares of AT&T in Sept at 47  $\frac{1}{2}$ . It costs \$47,500 plus a commission of \$647.50 for a total cash outlay of \$48,147.50. You sell 10 calls, each representing 100 shares against the stock with an expiration date of January 31 and striking price of 50. The price you receive for selling each call is \$200 cash, less commissions of \$98 for a total premium of \$1,902. During this period you receive a dividend which adds \$700 and so you are in receipt of \$2,602 on your original purchase. Through simple arithmetic, you have reduced the price of your stock purchase to \$46,245.50 excluding the dividend.

If Telephone goes down, you will lose money, but because of the proceeds from the sale of the option (which will not be exercised, naturally at a striking price of 50), the stock can actually fall to 45  $\frac{1}{2}$  before you lose any money including dividend receipts. However, if Telephone gains and rises above the striking price of 50,

it will be called away from you by the person who bought the call. You've made \$1,151.10 just from the sale of the stock after commissions. Adding in your premium and dividend receipts you've made a profit of \$3,753.10 on an investment of \$46,245.50 over a period of four months and 27 days. This works out to 8.115 per cent on the transaction or 19.81 per cent annualized.

If the stock is not called away you can again write a call on it and collect additional premiums and continue to receive dividends.

### Hedging

—Taking the sell side and the buy side together results in another technique known as hedging, which aims to produce 15 to 20 per cent capital appreciation a year with essentially predetermined potential gain or loss and involves spreading-arbitrage transactions in which a class or maturity of CBOE option is sold. For example you may buy Gulf & Western April 25 at 5  $\frac{1}{2}$  and simultaneously sell January Gulf & Western 25 at 4  $\frac{1}{4}$ . Or you can buy Exxon January 90 at 6  $\frac{1}{2}$  and sell Exxon January 100 at 3. Unless the option sold is exercised prematurely, an event which is not likely to occur frequently, the maximum risk entailed would be the price spread. In the case of Gulf & Western your risk would be  $\frac{1}{4}$  of a point and for Exxon your risk would be 3  $\frac{1}{4}$  points. Add your commission costs to your risks too. A profit would be made if the spread price increased over the passage of time.

## Trade deficit balance seen

Last year's balance of trade estimated \$1.7 billion surplus will revert back to a deficit, according to Peter Flanagan, Executive Director of the Council on International Economic Policy. This change is attributed to an estimated \$10 billion increase in the price of oil.

The basic balance of payments, which takes in both current and long term capital flows, broke

through to an estimated \$2 billion surplus last year, the first surplus since this measure of our balance of payments was compiled in 1960. This achievement may be imperiled by a projected jump in the liquidity balance of payments \$3 billion deficit in 1973 to \$5 billion this year.

The official balance of payments, however, was expected to move into the \$5 billion surplus area by the Council on International Economic Policy. This measure takes into account changes in U.S. dollar liabilities held by foreign central banks. The 1971 deficit of \$29.8 billion was cut to \$10.3 billion in 1972, and to \$5 billion last year.

## Insider

Continued from page 8

**Great American Industries, Inc.** 66,700 Great American Industries, Inc. common stock, 41,900 at \$0.8494 - open market purchase on 12-31-73, and 24,800 at \$0.6955 - open market purchase on 12-31-73. Burton K. Koffman, President & Director.

**Heublein, Inc.** 900 comm. at \$49.00 - gift, acquired on 12-1-73. Arthur A. Milligan, Director.

**Home Oil Company Limited.** 1,000 Class A. comm. acquired through exercise of option on 12-28-73 at \$20.00 per share; and 4,000 Class A. comm. - acquired through exercise of option on 12-28-73 at \$29.625 per share. The options were granted on 3-3-70 and 5-4-72 respectively. Robert E. Humphreys, Vice President, Exploration.

**IT Financial.** (Formerly Minaret Investments, Inc.). 12,306 comm. at \$8.30 - open market sale on 1-1-74. Joe P. Zumwalt, Secretary & Vice President.

**Koger Properties, Inc.** 2,500 comm. at prices ranging from \$12.00 to \$14.75 - open market sales between 12-3-73 and 12-5-73; and 2,000 comm. at \$14.50 - negotiated sale on 12-18-73. William A. Stanly, Director.

**Lightoller Incorporated.** 200 comm. at \$575.00 open market sale on 12-28-73. These securities were granted by the Company pursuant to its restricted Stock Incentive Plan. D. Theodore Berk, Director.

**Eli Lilly and Company.** 2,500 comm. at \$39.54 - acquired through exercise of Employee Stock Option on 12-14-73. Eugene F. Ratliff, Vice President & Director.

**The Louisiana Land and Exploration Company.** 1,000 Capital Stock at \$54.75 - open market sale on 1-7-74. Ernest L. Williamson, Executive Vice President & Director.

**MAPCO, Inc.** 6,000 comm. at \$41.50 - open market sale on 12-17-73. William Neal Deramus III, Director.

**Measurex Corporation.** 500 comm. at \$27.125 - open market sale on 11-20-73; 500 comm. at \$26.25 - open market sale on 11-29-73; and 300 comm. at \$26.25 - open market sale on 12-21-73. Dean A. Forseth, Vice President.

**Montgomery Street Income Securities, Inc.** 1,000 Montgomery Street, Income Securities, Inc. at \$20.00 - open market purchase on 12-12-73. Samuel B. Stewart, Director.

**National Central Financial Corporation.** 1,830 comm. at \$17.75350 - acquired through exercise of option on 12-5-73; and 490 comm. at \$19.052885 - acquired through exercise of option on 12-5-73. John D. Wickert, Senior Vice President of National Central Bank, major subsidiary of Corporation.

**North American Royalties, Inc.** 25,000 \$8.875 Convertible Preferred at \$100 - private purchase on 1-18-73. Gordon P. Street, Chairman of the Board & Director.

**Pacific Lighting Corporation.** 4,377+ comm. at \$18.00 - sale on 12-26-73 (+ Sale necessary to pay taxes on liquidation distribution). August H. Schilling, Director.

**WHDH Corporation.** 2,266 comm. at \$33.00 - private sale on 1-14-74. John M. Hall, Director.

**Parker Drilling Company.** 1,000 Parker Drilling Co. Common Stock at \$43.00 - sold on 12-24-73. Ted B. Houck, Vice President & Director.

**Penobscot Shoe Company.** 5,500 comm. at \$4.00 on 12-10-73 - sold to Company under Tender Offer; and 48,992 comm. at \$4.00 also sold to Company under Tender Offer on 12-10-73. Leon H. Fischman, Vice President & Director.

**Philip Morris Incorporated.** 2,000 Philip Morris, Inc. common stock at \$60.25 - acquired through exercise of stock options on 1-3-74. Ross R. Millhiser, Director & President.

**Portage Industries Corporation.** 200,000 comm. at \$1.00 - private sale on 10-31-73; 750,000 comm. at \$0.0983 + 20,000 shares of Transarco Inc. comm stock - private purchase on 10-30-73; 149,162 comm. at \$0.3352 - private purchase on 12-28-73; 2,500 and 2,500 \$6.00 Convertible Preferred Stock, Series F at \$36.00 - private purchases on 12-26-73; 17,745 and 10,000 \$5.00 Convertible Preferred Stock, Series A at \$38.89 - private purchases on 12-28-73; and 7,502 \$5.00 Convertible Preferred Stock, Series B at \$38.89 - private purchase on 12-28-73. Emita Friden Andreoli, Beneficial owner of more than 10 per cent of Company's common stock.

**The Quaker Oats Company.** 1,400 comm. at \$28.50; 35 comm. at \$28.375; 900 comm. at \$26.75; and 100 comm. at \$27.00 all open market sales on 12-20-73, 12-20-73, 12-28-73, and 12-28-73 respectively. Richard D. Denison, Vice President (Planning & Analysis).

**Quaker State Oil Refining Corporation.** 3,636 capital stock at \$37.50 - sale on 2-16-73; 437 capital stock (withdrawal from Corporation Thrift and Stock Purchase Plan) - acquired on 2-5-73. Lewis R. Freeman, Vice President & Director.

**Redken Laboratories, Inc.** 1,000 comm. at \$12.00 open market purchase on 12-11-73; and 3,625 comm. - acquired through exercise of options on 5-22-73, at a price of \$3.45 per share. H. Michael Carpenter, Vice President, Secretary, Treasurer & Director.

**Reed Tool Company (formerly named G.W. Murphy Industries, Inc.)** 55,074 comm. at \$13.25 private sale on 12-18-73. Eastman Dillon, Union Securities & Co., Owner of more than 10 per cent of the Company's common stock.

**Safeway Stores, Incorporated.** 2,000 comm. at \$37.50 - sale on 1-18-74. L.A. Bianco Vice President.

**Santa Fe Industries, Inc.** 3,000 comm. at \$28.625 acquired through exercise of option on 1-15-74. John C. Davis, Vice President.

**Jos. Schlitz Brewing Company.** 6,000 Jos. Schlitz Co. Common at prices ranging from \$51.75 to \$53.50

- sales on 12-19-73 and 12-20-73. E.F. Scoutten, Vice President.

**Seaboard Coast Line Industries, Inc.** 1,000 comm. at \$33.75 - open market sale on 1-3-74. William Hersey Kendall, Vice Chairman & Director.

**Southland Paper Mills, Inc.** 2,500 comm. at \$17.80 - open market purchase on 12-31-73. George R. Brown, Director.

**Standard Oil Company (Ind.).** 3,000 capital stock at \$57.50 - acquired through exercise of options on 12-26-73. George V. Myers, Executive Vice President & Director.

**Twentieth Century-Fox Film Corporation.** 145,000 at \$5.1/2 - \$6.00 - open market purchases between 12-3-73 and 12-19-73. John L. Vogelstein, Director.

**Union Pacific Corporation.** 4,000 Union Pacific Corp. Common Stock at \$34.94 - under exercise of stock option (type of transaction not specified) on 12-10-73. John Cooper Kenefick, Director.

**U.S. Industries.** 10.00 U.S. Industries at \$7.25 sold on 12-28-73. T.E. Jernigan, on Board of Directors.

**Western Air Lines.** 800,000 capital stock at \$8.625 - open market sale on 12-12-73. Kirk Kerkorian, Director and direct beneficial owner of more than 10 per cent of Western Air Lines, Inc.

**Western Airlines.** 5,000, 5.25 subordinate convertible debentures at \$84.00 - sale on 12-11-73, and 7,000, 5.25 sub. con. deb. at \$84.00 - sale on 12-18-73. Peter M. Kennedy, Director.

## Senate Holds Forum

Continued from page 3

dividend exclusion from federal income taxes.

Permit commission paid on stock transactions treated as investment expenses and, thus, as deductions against ordinary income.

Permit a \$1,500 tax deduction to individuals who buy stock as part of a personal pension plan, provided they are not covered by adequate employer-sponsored plans.

S.I.A.

The Securities Industry Association voiced its strong support for the pending legislation that would increase incentives for individual stock ownership and counter institutional domination by securities markets. Speaking for the S. I. A. was John C. Whitehead, chairman of the Governing Council and a partner in the firm of Goldman, Sachs & Co. The S. I. A. position basically parallels that of Senator Bentsen.

Others testifying

Others who testified in the two days of hearings were Thomas G. Corcoran - senior partner, Corcoran, Foley, Youngman & Rowe, Howard E. Hallengren, vice president, Trust Department, The

## People

The Nashville Security Dealers Association will hold its annual spring party May 2 and 3. Guests will be housed at the Ramada Inn Downtown, with the hospitality room opening Thursday morning. Golfing facilities will be available May 2 at the Richland Country Club, to be followed by a dinner at Hillwood Country Club. May 3 will be spent at the Belle Meade Country Club. Further details may be obtained from David G. Patterson, Jr., Wiley Bros. Inc., general chairman for 1974.

A. G. Edwards & Sons Inc. have announced the following promotions and re-assignments in the New York office, 20 Exchange Place: Robert D. Dissett and Paul I. Olsen, vice presidents, have been elected to the board of directors; Frank P. Maglio, formerly the A. G. Edwards floor broker at the American Stock Exchange, has been transferred to the New York Stock Exchange, and J. Thomas E. Corrigan succeeds Mr. Maglio at the Amex.

James D. Fullerton, The Capital Group, Los Angeles, has been elected chairman of the board of governors of the Investment Company Institute. He succeeds George Putnam, Putnam Funds of Boston, who resigned as chairman of the Institute because of the pressure of other business commitments.

Blyth Eastman Dillon & Co., Inc. has announced that Scott Pierce has joined the firm as senior vice president, and Alan J. Miller as

vice president. Mr. Pierce, who will be responsible for the competitive bidding and the underwriting, trading and distribution of all municipal bonds, headquarters at Wall St., New York, was formerly vice president and municipal bond department manager with G. H. Walker, Laird Inc. Mr. Miller, whose chief responsibility will be investment strategy in securities research and portfolio analysis, was previously with Interscience Capital Management. He will be headquartered at the 11 Broadway, New York office.

Dain, Kalman & Quail, Inc., Dain Tower, Minneapolis, has announced that John J. Sullivan, Paul E. Youmans, Daniel E. Murray, Daniel F. Finnane, and Robert R. Martin have been elected to the board of directors. Mr. Sullivan and Mr. Youmans are chairman and president of Bosworth, Sullivan & Co., Inc. of Denver, and were named to the board in anticipation of the formation of a holding company in which Bosworth-Sullivan and Dain-Kalman will be major subsidiaries. Mr. Murray is president of Ralph W. Davis & Co. of Chicago which became a subsidiary of DKQ in 1972 and will also be a subsidiary of the planned holding company. Mr. Finnane is senior vice president in the investor services department, and Mr. Martin senior vice president and head of the fixed income department.

largest sources of funds for new stock ownership accounting for \$10 billion in new investments each year, most of it, managed by bank trust departments. Pension Funds own about 12 per cent of all stock traded on the New York Stock Exchange and 10 major banks probably control nearly half of all private pension assets according to a City University of New York professor, Edward Malca.

## NYSE approves SEC proposal

The New York Stock Exchange has approved in principle a plan to allow member firms to charge competitive brokerage rates on orders up to \$2,000 as part of its compromise agreement with the Securities and Exchange Commission regarding unbundling of fees on April 1.

First National Bank of Chicago, and Samuel R. Callaway, executive vice president and head of the trust and investment division, Morgan Guaranty Trust of New York. (Ed's note: see Opinion Page in this issue.)

Bank opposition

Two of the nation's largest banks were opposed to setting flat legislative limits on the amount of pension fund assets they could concentrate in the stock of any one company.

It is interesting to note that Morgan Guaranty as of last September had \$26 billion in total trust assets under management; \$15.8 billion of these were pension assets.

Corporate pension funds are the

## The Southern Company

The Board of Directors has declared a quarterly dividend of 34½ cents per share on the outstanding shares of common stock of the company, payable on March 6, 1974, to holders of record at the close of business on February 4, 1974.

George B. Campbell,  
Financial Vice President

## The Southern Company system

ALABAMA POWER COMPANY, GEORGIA POWER COMPANY, GULF POWER COMPANY, MISSISSIPPI POWER COMPANY, SOUTHERN ELECTRIC GENERATING COMPANY, SOUTHERN SERVICES, INC.