A. G. Becker & Co.

INVESTMENT BULLETIN

THIRD QUARTER 1929

Reserves and Federal Reserve Policy

THE deposits of a bank are liabilities which the bank must stand ready to meet upon request. Since experience has shown that only a small part of its deposits will ordinarily be called for at any one time, the bank finds it necessary to carry only a small percentage of its assets in cash or its equivalent to meet such calls. The assets allocated for that purpose are designated the reserve. The exact amount of the reserve is fixed by law and member banks of the Federal Reserve System are required to keep their legal reserves at the Federal Reserve Bank.

The twelve Federal Reserve Banks, then, hold the reserves of their respective member banks. In the statements of the Federal Reserve Banks the member bank reserves appear as deposits and they are of course liabilities of the Federal Reserve Banks. The other principal liability of the Federal Reserve Banks is the item of Federal Reserve Notes outstanding. Such notes constitute the principal part of our currency and are promises to pay by the Federal Reserve Banks.

Basis of Federal Reserve Ratio

The Federal Reserve Act provides that the Federal Reserve Banks shall hold gold equal to 35% of their deposit item and to 40% of their liability represented by the Federal Reserve Notes outstanding. For convenience in referring to them, the two items are combined and the amount of gold held against them is expressed in a percentage figure which is known as the Federal Reserve Ratio. When the Federal Reserve Banks hold gold equal to 75% of their deposit and note liabilities, the ratio is obviously 75% and it is apparent that the Banks could either lose gold or increase their deposit or note liabilities by a considerable amount before the 40% limit would be reached.

Reason for Normally High Ratio

While the legal Federal Reserve ratio is something under 40%, the policy of the Federal Reserve Board has resulted in a ratio in ordinary times of from 70% to 80%. The reason for such a policy is readily apparent. It makes possible substantial expansion of credit under special circumstances. When the need arises for it, the Federal Reserve Bank can make more funds available through the issuance of notes or the creation of deposits because its ratio can go down, if necessary, to 40% and even below that figure.

A member bank makes use of the Federal Reserve Bank by borrowing from it in the same way that an individual borrows from his bank. The collateral it uses is eligible commercial paper or government bonds. It receives

Federal Reserve Notes or a deposit credit. It will be seen, therefore, that the borrowing of member banks at the Federal Reserve Banks tends to reduce the Federal Reserve Ratio by increasing the outstanding liabilities of the Federal Reserve without a corresponding increase in its gold holdings.

The theory of a reserve institution is that at times there occurs a great rise in the money volume of business and a demand for credit much larger than the normal demand. The reserve institution is designed to take care of that abnormal demand. But when this peak comes it is temporary in character and the increase in loans necessary to handle it liquidates through repayments and increased deposits which flow through the banks into the Federal Reserve and restore the normal reserve. The reserve is for flood tides and not for a more or less permanent rise in the level of bank credit in use. If it were employed for more or less permanent use, it would cease to be a reserve.

The Reserve Board's Position

We are now ready to consider the apparent policy of the Federal Reserve Banks during the past year. In effect, the Reserve Board has said, "There is a difference between the expansion of credit for commercial uses and for security speculation. The difference lies in the fa · that there is nothing inherent in the financing of rising security prices that is essentially temporary in character. A loan for the manufacture of commodities will be paid off when the goods are sold. But a loan for the purchase of securities will be paid off only out of savings and if loans are granted freely prices will continue to rise, there will be no incentive to pay off loans but rather to increase them to benefit further from rising prices. Such a condition if permitted to continue would mean the financing of ownerships and would constitute a permanent impairment of the country's banking reserves. When the need for which they were originally created arose, the reserves would not be available."

The Situation with Respect to Business

The situation is not dangerous or threatening to business. Whenever a rising demand for credit comes from trade, the release of a few hundred millions of the reserve resources through rediscounts, or by the purchase by the Federal Reserve Banks of bills or securities will make money easy. The reserve ratio will fall and with it the interest rate. In other words, the point of the Federal Reserve Board's policy is presumably that we still have a reserve.

Notes on the Reparations Settlement

THE reparations agreement signed at Paris on June 7th provides for an average annual payment by Germany for 37 years of 2,050,000,000 marks. Following the completion of this schedule there will be 22 annuities to cover inter-allied debt payments.

A statement of the average payment does not convey the true picture of the relief which Germany will get from the settlement. The immediate payments rather than the average constitute the most important consideration. Under the Dawes Plan, Germany had promised to pay 2,500,000,000 marks annually, plus an additional amount to be determined by an index of prosperity. Since her prosperity will no doubt grow with the improvement of methods of production and increase in population, there would have been a steady advance in the amount of the actual payments. Under the new plan the payments for the first few years are approximately 1,800,000,000 marks and will advance by about 225,000,000 marks per annum for a number of years to come.

New Settlement Saves Interest on Foreign Borrowings

The new settlement, therefore, reduces the burden by at least 700,000,000 marks per year. It has been estimated that, since the inception of the Dawes Plan, Germany has borrowed abroad a net amount of 10,000,000,000 marks. The reduction of 700,000,000 marks in her reparations charge is equivalent to 7% a year on such borrowings. In other words, the reduction in reparations is practically equal to the interest which Germany must pay on her total foreign borrowings to date.

It is not likely that the ratification of the plan by the various nations will be followed by the flotation of a large public loan in the American market in the immediate future. In the first place, there will no doubt be a new flow of capital into Germany without the aid of such a loan. This will come about through the return of capital which German citizens exported during the last year and a half because of the feeling of uncertainty regarding the situation. In addition, there will be considerable foreign purchases of German stocks and bonds which has already begun. American, French and English investors and investment companies are willing to enter this field of security speculation because of the attractive values available and they will no doubt pour many hundreds of millions of marks into Germany through such purchases. Furthermore, it is not unlikely that the French market, which has a plethora of funds today, will supply funds to Germany. Later in the year it may be that increased business activity in Germany resulting from the reparations settlement may result in foreign borrowings to finance such expansion.

A Spur to European Industry

The settlement of the reparations question should affect all of the European nations favorably. It is safe to say that everywhere projects which had been contemplated but which had been postponed until the results of the conference should be known, will now be taken up and carried through. As for its effects on our own industry, there is reason to expect a continuation and even an improvement in the purchase of American products by foreigners in the second half of 1929. With the reparations situation unsettled, exports would have been checked by reason of the fact that Germany would not have been able to obtain capital, particularly from the American market. The settlement which has just been reached makes the German investment market an attractive one and will unquestionably bring a flow of capital into that country.

Some Thoughts on the Bond Market

IT is a commonplace that bond prices are lower now than they have been in several years. The chief factor in this decline has been the high money rates induced largely by a tremendous demand for funds for Stock Exchange operations. Another obvious cause has been a more or less general lack of interest in bonds as a result of the public enthusiasm for stocks. Then too, as the rising tide of stock speculation increased the demand for loans at the banks throughout the country and the restrictive policy of the Federal Reserve Board discouraged borrowings by the banks themselves, some banks began to sell part of their bond holdings in order to meet the demand from their customers. This condition no doubt played a part in the decline of bond prices.

It is difficult of course, to say definitely that the absolute low point has been reached, but many competent observers are beginning to regard the bond market as a buy at present levels. There are many reasons for confidence in the outlook. The country as a whole is producing and saving wealth at a greater rate than ever before. Improved methods of production and distribution, and the concentration of industry in larger units under the direction of the ablest management have stabilized our prosperity. The assets and earnings back of the obligations of well established enterprises have never been so large as they are today. It is apparent that whenever there is a great volume of funds seeking investment, the returns on capital tend to become smaller. This condition is already apparent in equity investments and it is not difficult to cite the example of companies whose stocks are selling on a lower yield basis than their bonds, which is of course an incongruous situation.

Demand Likely to Grow

It seems clear that as soon as the conditions of supply and demand for stock market loans become more normal, people with surplus funds will turn again to the bond market. Many owners of business enterprises who have come into large funds through the sale of part of their ownership have put these funds into the call money market. Investment trusts, in many instances, have substantial amounts out on call. The return of this capital to permanent investment fields may be expected to affect bond prices favorably. It is likely that when public interest in bonds becomes more widespread it will develop that quiet but steady accumulation has already been going on for some time on the part of astute interests so that the advance once under way may well be rapid.

Bond Supply Lower

On the supply side, there are indications of a decline in the total of bonds outstanding. There have been large redemptions through the application of earnings and through the issuance of common stock, the recent action of the United States Steel Corporation being a case in point. And finally the popularity of common stocks has cut down the amount of financing done through the medium of bond issues in favor of stock financing.

Wide-spread public interest may make different forms of investment popular at different times. But it is well to remember that there are real differences between the various forms and that bonds have a definite investment position that has not changed. Most financial institutions of the different types, out of legal and other considerations, look to bonds for their chief investment medium. Estates are large buyers of bonds and practically every individual investor has a place for bonds in his account. In our opinion, present prices afford an opportunity for the effective placement of funds.

Anhalt Benefits by Large Demand for German Potash

INCREASED demand both at home and abroad for products of the German potash mines has naturally reacted to the benefit of that important German industry, and of the regions in which the potash deposits lie. Sales by the potash syndicate last year were approximately 15 percent greater than the year before, according to Commerce Reports, and the export business was 20 percent greater. Increase in the export business is attributed largely to the improvement in business relations between German concerns and those of other European states. Still better relations would seem to be in prospect as a result of the war reparations settlement, minimizing an old source of international friction.

In listing the production quotas for the industry, Commerce Reports gives sixth place to the company which is owned by the Free State of Anhalt, and which operates the state mines. One of the chief sources of income of this old German state is from state-owned industries. Funds realized by the state three years ago from an external loan underwritten by A. G. Becker & Co., were used for the improvement of state properties—largely for chemical works associated with the potash industry.

Autostrop Opens Up Big Market with New Blade

After eight years of development work, AutoStrop Safety Razor Co., Inc., is preparing to produce and market internationally a new double-edge safety razor blade under the name "Probak," according to a recent announcement by executives of the Company. The introduction of this blade, which is covered by worldwide patents, opens up an entirely new market to the Company, the importance of which is indicated by the fact that total sales of double-edge blades run to more than a billion blades annually. The new blade is already in production in this country, Canada and England, and test campaigns in three Michigan cities some time ago were unusually successful. Additional markets will be opened up as soon as productive facilities permit.

This product is being added to the Company's line without resort to new financing. Reports of the Company's business continue to be very satisfactory following a record-breaking first quarter.

C. I. T. Expands Again

Further expansion of the financing service of Commercial Investment Trust Corporation is seen in announcement of new connections recently made by that organization. Contracts have been signed with the Durant Motor Co., making the company's facilities available to Durant distributors and dealers; and with the National Carbon Company for financing installment sales of Ever Ready radio receivers. A. D. Nast, Chairman of the Executive Committee of Commercial Investment Trust, announced late in May, the purchase of the Equipment Finance Company. The combined companies anticipate business of $100,000,000 in the Chicago area in 1929.

Fashion Park Acquires Desmond's of Los Angeles

Further expansion of the activities of Fashion Park Associates, Inc., is indicated by its recent acquisition of one of the leading men's stores on the Pacific coast, and in the announcement that Weber & Heilbroner, the New York City factor in the organization, will add a line of women's sport apparel in two of its stores. The Pacific coast addition to the chain is Desmond's of Los Angeles, for many years one of the outstandingly successful stores of the far west. Ralph R. Huesman, President of Desmond's, recognized as one of the most successful merchants and executives in the country in the retail clothing trade, is expected, according to press reports to take charge of expansion plans in the far western field.

It is estimated that the annual volume of the stores now associated with the organization totals about $65,000,000.

Abbott Sales and Profits Up

A substantial increase in both sales and profits of Abbott Laboratories was shown during the first four months of the year, according to officers of the company. Good results are expected to be evident shortly from the marketing of two important new products which it is planned to place on sale during July. These are Viosterol, a preventive and cure for rickets, and Fortified Cod Liver Oil. More than 1200 different items are manufactured by the company.

The current dividend of 50 cents on the common stock which was offered to the public this spring is payable July 1 to holders of record June 18.

Unterelbe 6s on "Big Board"

Unterelbe Power & Light Company Mortgage 6s of 1953, were recently listed by the New York Stock Exchange. They had previously been listed on the Boston Exchange.

Twenty-six Billion Invested in American Utilities

UTILITY investments in this country, exclusive of steam railroads, now total more than twenty-six billion dollars, according to a recently published survey. More than ten billions of this is invested in electric light and power companies, five billions in gas companies, four billions in telephone companies, and half a billion in water companies.

Approximately two-thirds of American homes are now electrified. The electric light and power industry has some 23,000,000 customers, a million of these being industrial users. The number of customers has increased sixteen-fold since 1902, when the total investment in the industry was around half a billion.

A striking development has been undergone by the gas industry in the last decade. Gas was originally manufactured chiefly for illumination. With the rapid adoption of electricity for lighting purposes, this outlet for gas was correspondingly narrowed and many persons thought the industry as a whole was doomed. But industrial uses have been developed which more than compensated for loss of the illuminating business, so that the total consumption of gas has doubled in the last ten years. Consumption for industrial purposes in that time has increased 1,000 percent.

The continent of Europe, with a population three times that of the United States, has an electrical output about equal to that of this country, and an investment in electric companies about three-fourths as great. The highly industrialized character of much of Europe, the short distances, and the density of population lead many observers to believe that the continent is now on the threshold of a tremendous development in the field of electric utilities, and that established utility companies there are in a position to show striking gains in the next several years.

Monsanto Makes Important Acquisition

Extension of the operations of Monsanto Chemical Works into an important new field is effected by the company's recent acquisition of Rubber Service Laboratories Company and its subsidiary, Elko Chemical Company.

Rubber Service and Elko manufacture chemicals widely used in the rubber industry. These comprise mainly accelerators, which shorten the time required for vulcanization; and anti-oxidants, which improve the quality of the rubber and lengthen its life. It is partly by the use of chemicals such as these that the life of rubber tires has, within a comparatively short term of years, increased from around 5,000 miles to 15,000 miles and more. Many of the chemicals which Rubber Service requires as raw materials are manufactured by Monsanto, so that the merger will substantially broaden the latter's already wide manufacturing base, and strengthen its position in the chemical industry.

The growth of the company's importance in the chemical field is borne out by the history of its stock during the last few years. Despite the enhancement which has already taken place, the stock, at current quotations, is still highly regarded as a long term holding.

Real Silk Plans New Mill Unit; First Quarter Best in History

Real Silk Hosiery Mills is understood to be considering plans for the erection of a five story mill unit and the addition of modern machinery which will increase production capacity by 50 percent. The Company this year enjoyed the most prosperous first quarter in its history, net profits according to press reports amounting to $418,000 after charges, including depreciation, but before Federal taxes. The Company entered the second quarter with excellent prospects based on expectations of the customary seasonal increase in business.

Enlarge Cuyamel Plantations

Reports in the Mexican press indicate that Cuyamel Fruit Company is arranging for the extension of its banana plantations in the state of Oaxaca, and between San Blas, State of Nayarit, and Rio Ameca, State of Jalisco. The project is said to call for construction of a railroad to bring the bananas to the point of exportation.

Expectations for a good year for the Company have been substantially strengthened by the first quarter's report, which shows earnings, after depreciation and interest but before Federal taxes, of more than $400,000, compared with $185,000 for the corresponding quarter of 1928.

Investing Company Shows Big Increase in Assets

The declaration recently, by American Cities Power and Light Corporation of a 2½ percent stock dividend on the B stock, payable August 1 to holders of record July 10, calls attention to the very remarkable record of this Company since public offering was made of its A and B stock last November.

At the time of the offering, net assets of the Company amounted to $40,500,000, or $101 a share for the 400,000 shares of A stock outstanding. The Company's financial statement of March 31, 1929, adjusted to give effect to $8,000,000 of unrealized market appreciation of securities held, showed net assets exceeding $53,000,000, or more than $125 a share on the A stock.

Demand For Alloy Steel Grows; Helps Interstate

THE steady increase in the use of alloy steels by American industry in the last few years has been a factor of material advantage to Interstate Iron & Steel Company, one of the country's two largest producers of alloy steels. Net earnings of the Company last year amounted to more than a million dollars, while earnings applicable to interest on the outstanding First Mortgage Bonds were 5.2 times requirements.

Statistics compiled by the American Iron & Steel Institute show that production of alloy steel ingots and castings in 1928 gained 27 percent over 1927, whereas production of ordinary steel ingots and castings gained but 12 percent.

It was recently pointed out in Iron Age that the progress made in recent years by the automotive, aircraft, electrical and chemical industries has been based partly on the availability of suitable alloy steels with their greater strength, hardness, and toughness, and greater resistance to oxidation. It is estimated that 50 percent of the steel used in the automotive industry today is of alloy composition. The trans-Atlantic airplane flights and other endurance records have been made possible largely because of the development in the last ten years of alloy steels of requisite strength and lightness. The chemical industry, many of whose operations are carried on at very high temperatures and pressures and under extreme conditions of corrosion and oxidation, has been substantially helped by improved grades of steel fitted to withstand these unusual demands.

"We are entering a new era, in which alloy steel is going to play a more important part," says Iron Age. "The wisdom of its use has been clearly demonstrated, and we shall probably see changes in many industries which have not yet used alloy steels."

Metropolitan Industries Has Profitable First Year

Earnings of more than three times the annual dividend requirements of the Preferred Stock were reported in its first year of operations by Metropolitan Industries Company, according to the financial report recently made public. The Company was organized early in May, 1928, for the purpose of acquiring a substantial or controlling interest in American corporations of promise, and to invest generally in securities.

One of its principal investments, made immediately upon organization, was in the Metropolitan Coal Company, a Boston enterprise, of which it acquired a substantial majority of the common stock. Metropolitan Industries Company's dividends from this source alone amounted during the year to more than $137,000. Other income (chiefly from investment operations) brought the total to more than $431,000. Expenses other than provision for taxes were very nominal so that net income carried to surplus amounted to $374,000. These earnings, after allowing for a full year's dividend on the prior stocks, amounted to $2.88 per share on the common stock. The Allotment Certificates of the Company, listed on the Chicago Stock Exchange, call for one share of 6% Preferred and one-half share of Common. The Certificates are 50% paid.

Goodyear Has Big Gain

Greatly increased sales and profits are being shown this year by Goodyear Tire & Rubber Company. Reports for the first quarter indicate earnings of nearly $4 a share on the common after the preferred dividend. Recently the Wall Street Journal estimated sales for the half year, running close to $150,000,000, with net earnings of approximately $14,000,000. Net earnings for the first half of 1928, before application of $2,500,000 out of reserves, amounted to $574,200.

Newport Acquires Rhodia Company; Plans Improvements

Recent announcement of the acquisition by The Newport Company of the Rhodia Chemical Company, with works at New Brunswick, N. J., marks another important step in the former's expansion program. The Newport Company is said to be planning the expenditure of $1,000,000 this year for improvements designed to extend the various divisions which it has recently acquired.

It is understood that the acquisition of the Rhodia company, which was effected through the Newport Chemical Works, did not include its associate, the Acetol Products company, manufacturers of synthetic glass.

The Rhodia company is a large manufacturer of intermediate and finished coal tar products. In the latter class its specialization has been chiefly in the field of photographic developers and aromatic chemicals. It represents two large French producers of synthetic aromatics, and also has connections with Sornin et Cie., the French flower oils and essences house.

The Rhodia company and the Newport Chemical Works, whose special operations are in the coal tar intermediates, dyes and solvents, have been users of each other's products. Reduction in costs is expected to follow the consolidation. No change has been made in operating plans or executive personnel of the Rhodia company and none, it is understood, is contemplated at present.

According to press reports, Newport's excellent earning record of the first quarter has been matched in the second, and final figures are expected to approximate those for the first three months when profits exceeded $350,000.

Factors Favoring German Bonds

The factors favoring German bonds right now are (1) the reparations settlement with its stabilizing influence on German industry and important reduction in the annual amount payable by Germany, and (2) the high current yields obtainable from German bonds. The issues described on this page, typical of the German issues offered by A. G. Becker & Co., combine security of a high order with unusually attractive return.

German Building and Land Bank

20 Year 6½% Mortgage Secured Collateral Gold Bond

Due 1948

THIS loan was made to meet in part the German demand for funds for housing construction. The proceeds are applied to the purchase of mortgage certificates issued by the Prussian State Mortgage Institution and the German Housing Mortgage Bank. Funds for the operation of German mortgage banks are customarily obtained through the sale of such mortgage certificates.

For more than twenty-five years every mortgage bank operating under the German Mortgage Bank law has promptly met its obligations.

The German Building and Land bank operates under direct supervision of the German government, and exclusively in the public interest, its dividends being limited to 5 percent per annum.

The bond is secured by the mortgage certificates purchased which are the direct obligation of the institutions issuing them and are, in turn, secured by first or publicly guaranteed mortgages on residential property.

Participation Certificates priced to yield approximately 7.05%

Mannheim and Palatinate Electric Companies

Fifteen Year 7% Sinking Fund Mortgage Gold Bonds

Due 1941

These two companies, which are jointly and severally liable upon the bonds, supply electric power and light, one to the territory in and about the city of Mannheim in the state of Baden, and the other in the neighboring Palatinate district of the Free State of Bavaria. The total population served, directly and indirectly, by the two companies is well in excess of a million.

Mannheim Electric Company owns and operates a large electric plant supplying, under contract, the city of Mannheim, the Rheinau Works which distributes current to neighboring territory, and at least one-third of the requirements of the Palatinate Electric Company.

The Palatinate Electric Company has over 60,000 customers, including 268 cities and communities which purchase for redistribution.

These bonds are well secured, and afford a return which is unusually good, especially when compared with that available from American utility obligations of comparble intrinsic security.

Priced to yield approximately 7.25%

Ruhr Gas Corporation

6½% Secured Sinking Fund Bonds, Series A

Due 1953

Ruhr Gas Corporation was organized by a group of important coal and steel companies in the Ruhr district of Germany to effect a more profitable utilization of coke oven gas. The stockholder companies control about 90 percent of the coal mining and coke-oven gas production of the district, and include such strong companies as Rhine-Westphalia Electric Power Corporation, Krupp Corporation, and United Steel Works Corporation. Holders of approximately 92 percent of the stock have entered into an agreement to purchase these bonds, in the event of default by the Corporation, this agreement constituting, in effect, a guarantee of the issue. The importance of this agreement will be better realized when it is known that the stocks of these companies have an indicated aggregate market value exceeding $400,000,000.

The Corporation has long term agreements for the sale of gas to 34 cities and towns with a total population exceeding 1,300,000, including the city of Hanover, and to a number of important industrial users, including the German dye trust. Additional contracts are expected to be signed with such cities as Cologne, Duesseldorf and Duisburg, and with other industrial concerns upon completion of facilities that are being financed with the proceeds of this $12,000,000 issue.

We consider these bonds well secured, and the yield is obviously attractive.

Priced to yield approximately 8.05%

Investments in the Financial Field

The interest which investors have shown in the last few years in the securities of financial companies has been well founded on the favorable showing made by conservative institutions of this character. Below we describe two very attractive investments of the financial type.

National Securities Investment Company

Allotment Certificates

IF a responsible group of able bankers made the average investor an offer like the following, he would no doubt be very much interested in it: "We will invest $1000 (or more) for you in a great many different high grade securities about which we have detailed information, most of which is not generally available—buying and selling them as circumstances warrant in our judgment. Your investment will be protected by more than $500 invested by ourselves and others for each $1000 of yours. Before you can sustain any loss, this junior investment must all be wiped out. We will pay you 6% on your investment and give you a share in the profits above that figure. Your investment will be evidenced by certificates with a ready market."

Substantially such an offer is made the investor by the Allotment Certificates of National Securities Investment Company. The Company is a $33,000,000 Corporation which buys and sells, and invests generally in securities. It has been operating under its present investment banking management since the middle of 1926. It has been remarkably successful. Shareholders have received unusually high returns on their investment.

Each Allotment Certificate represents one share of 6% Cumulative Preferred Stock, one-half share of Common Stock and a warrant to purchase one-half share additional at the rate of $15 per share. The Preferred Stock has back of it assets of approximately 165%. The Common Stock is currently selling around $30 a share. Both the Allotment Certificates and the Common Stock are listed on the Chicago Stock Exchange. The Allotment Certificates, in particular, are unusually attractive at present prices around 102.

Priced at the market

North and South American Corporation

Class A Common Stock

This Company, organized to engage in financial operations in both the domestic and foreign field, will give particular attention to the opportunities available in South American equities. The scope of its operations includes also the rendering of management services to investing companies in connection with their foreign portfolios and the origination of investment securities for such organizations.

Business enterprises in South America, generally speaking, offer a much higher rate of profit than can properly be counted upon in the United States or Europe. This situation is analogous in many ways to that in the United States fifty years ago. The continent has large natural resources and capital is greatly in demand for the development of these resources.

The possibilities of highly profitable investment in South America have long been recognized, but individual investors have found facilities lacking for the effective placement of funds there. North and South American Corporation supplies this need by affording a sound medium for such investments based on long experience in the field. It already has some diversified and profitable holdings there.

The Corporation was organized by American Founders Corporation, A. G. Becker & Co., and Baker, Kellogg & Co., Inc., and representatives of these institutions are on its Board of Directors.

The Class A Common stock of North and South American Corporation, which is the senior security, there being no funded debt, enjoys prior dividend rights at the rate of $2 a share annually, with full participation in any other cash distribution of dividends with the Class B stock. We believe that an investment in this Company, on a long term basis, has excellent income and profit possibilities.

Price $36 a share

Conservative Railroad Bonds

The two issues described below are typical of the railroad issues we recommend for investment at this time. We call particular attention to the stock purchase right carried by the Southern Pacific obligation.

Southern Pacific Company

Forty-Year 4½% Gold Bonds of 1929

(With stock purchase warrants)

Due 1969

THIS issue is of special interest because each $1,000 bond bears a warrant entitling the holder to purchase at any time prior to May 1, 1934, three shares of the Company's stock at $145 a share. In view of the generally favorable outlook for the railroads and of the steady appreciation of Southern Pacific stock in recent years, it is not unlikely that this right may prove valuable. The stock has sold as high as 138 this year, and is currently selling around 135.

Southern Pacific, with subsidiaries, operates one of the principal railroad systems of the United States, its lines serving the Pacific coast region from Los Angeles to Portland, with easterly lines running from San Francisco to Ogden, and from Los Angeles to Galveston and New Orleans.

The Company has been a consistent earner, dividends having been paid uninterruptedly on its stock since 1906.

Priced to yield approximately 5.03%

Central of Georgia Railway Company

Refunding and General Mortgage 5% Gold Bonds, Series C

Due 1959

Railway lines operated by the Central of Georgia provide important connections between the Atlantic coast and interior points of the south. They join the seaport of Savannah, Ga., with the important cities of Atlanta, Augusta, Columbus and Macon, Georgia; Birmingham and Montgomery, Alabama; and Chattanooga, Tenn.

Gross income last year, applicable to payment of rentals, interest, etc., after payment of taxes, amounted to $5,376,299, while total charges of such nature were $3,664,107. Dividends have been paid uninterruptedly since 1912. The Company's capital stock is wholly owned (save for directors' qualifying shares) by the Illinois Central Railroad Company.

The bonds are secured by direct mortgage on 1477 miles of railroad owned in fee, and on others assets, subject to an issue of prior lien bonds for the retirement of which Refunding and General Mortgage Bonds have been reserved.

Priced to yield approximately 5.12%

Edith Rockefeller McCormick Trust

Collateral Trust Five-Year 6% Gold Notes

Due 1934

The Edith Rockefeller McCormick Trust was organized in 1923, by Mrs. Edith Rockefeller McCormick of Chicago, primarily for the purpose of consolidating certain of her holdings, and for the operation and development of real estate properties.

The Notes are the direct obligation of the Trust and are to be secured by pledge of readily marketable stocks and obligations which, at current quoted prices, have an indicated market value in excess of $17,000,000 against this issue of $11,000,000. The principal part of the pledged securities is made up of stocks and bonds of the Standard Oil Company (New Jersey), and include stocks and obligations of several additional Standard Oil companies and other corporations. The income from these securities at current rates (including extras) is greater than the interest requirements on these Notes. The Trust has other assets, in addition to the pledged securities, estimated to have a net value of more than $10,000,000.

Payment of principal and interest on these Notes is furthermore unconditionally guaranteed by Mrs. McCormick, who represents that she has assets, other than those included in the Trust, largely in excess of the amount of this issue.

We regard these Notes as a high grade short term obligation.

Priced to yield approximately 6.05%

Additional Recommendations *for* July Investment

The well-secured obligations and sound stocks listed below are representative of our current offerings

Corporate Obligations	Approx. Price	Approx. Yield
EASTERN UTILITIES INVESTING CORP., Deb. 5s (with wts.) due 1954	98	5.15%
ST. LOUIS & SAN FRANCISCO RY., Cons. 4½s, due 1978	87¼	5.22%
SUPER POWER CO., 1st Mtg. 4½s, due 1968	87½	5.25%
W. A. WIEBOLDT & CO., 1st 5½s, due 1939	101	5.37%
INDIANA ELECTRIC CO., 1st 5s, due 1951	91½	5.65%
208 S. LASALLE BLDG. CORP., 1st 5½s, due 1958	96½	5.75%
WEIL McLAIN CO., 5% Serial Gold Notes, due 1934	96.78	5.75%
PUBLIC SERVICE SUBSIDIARY CORP., Gold 5½s, due 1949	95	5.92%
COMMERCIAL INVESTMENT TRUST CORP., Convertible Debenture 5½s due 1949	95	5.92%
BALABAN & KATZ CORP., Serial Gold Notes, due 1936-38	Var.	6.00%
KLEINERT RUBBER CO., 6% Sec. Gold Notes, due 1932	100	6.00%
EDGEWATER BEACH HOTEL CO., Gold Debenture 5½s, due 1938	96.42	6.00%
NATIONAL BOND & INVESTMENT CO., 6% Serial Gold Notes, due 1939	98.80	6.15%

Foreign Bonds

MORTGAGE BANK OF CHILE, Guaranteed Gold 6s of 1929, due 1962	92	6.60%
UNTERELBE POWER & LIGHT CO., Sinking Fund Mtg. 6s, due 1953	89	7.00%
FREE STATE OF ANHALT, 7% External Gold Loan due 1932-1946	100	7.00%
STATE OF RIO de JANEIRO, External 30-Year Secured 6½s, due 1959	91½	7.20%
KOHOLYT CORP., 1st Mtg. 6½s, due 1943	91	7.55%

Investment Stocks

HAMMERMILL PAPER CO., 6% Cumulative Pfd. Stock	100	6.00%
THE LAWBECK CORP., 6% Cumulative Pfd. Stock Listed on the Chicago Stock Exchange	100	6.00%
CHICAGO PNEUMATIC TOOL CO., $3.50 Convertible Pfd. Stock Listed on the New York Stock Exchange	52	6.73%
L. GREIF & BRO., INC., 7% Cumulative Pfd. Stock Listed on the New York Curb Market	97	7.20%
CONSTRUCTION MATERIALS CORP., $3.50 Convertible Pfd. Stock Listed on the Chicago Stock Exchange	42	8.33%
ACME STEEL COMPANY, Common Stock Listed on the Chicago Stock Exchange and the New York Curb Market	At the market	
JOHN MORRELL & CO., INC., Common Stock Listed on the New York Stock Exchange & the Chicago Stock Exchange	At the market	
MONSANTO CHEMICAL WORKS, Common Stock Listed on the Chicago Stock Exchange	At the market	
THE PARKER PEN COMPANY, Common Stock Listed on the Chicago Stock Exchange	At the market	

Offered subject to prior sale and to change in price.

Full details on any issue listed will be furnished upon request.