

## MEMORANDUM

December 4, 1941

Telephone call from Mr. Doolittle of Wright, Gordon,  
Zachry & Parlin and of Riter & Company re Jacobs  
Aircraft Engine on Thursday, December 4, 1941

Reference is made to conference memoranda of October 2 and November 13, 1941, with the same people. Mr. Doolittle summarized the facts by stating that Riter & Company on October 14, 1941, had been the sole underwriter of a distribution of 140,000 shares of Jacobs Aircraft Engine common stock. The offering had been made and stabilized at 5-1/4. The selling group was closed on November 7<sup>th</sup> and on that date and during a couple of days thereafter, Riter & Co. got in touch with all of the larger members of the selling group and any others which it thought might have stock on hand to try to cover its then existing short position. In addition, Riter & Co. got in touch with one or two of the larger stockholders from whom the stock had previously been bought to see if it could get more stock from them in order to cover. The largest short position at any time was 8,000 shares. By November 26<sup>th</sup> the firm's short position had been reduced through purchases on its 5-1/4 bid to 2200 shares. During this time the firm had also been making some sales at an asked price presumably in line with that quoted by other dealers. Some time on the 26<sup>th</sup> Riter & Co. was offered a block of 2000 shares at 5-1/4 but it stepped away and dropped its bid to 5. Since then its bid has stayed at 5. Five other dealers are in the sheets, all at 5 with the exception of one who is bidding 5-1/8. As a result of further sales made since the 26<sup>th</sup>, Riter's short position is now 3200. Mr. Doolittle asked me whether or not Riter & Co. could cover this short position now that the market has turned strong (a) by following the market up or (b) by topping other bids.

I told Mr. Doolittle that he could answer this question better than I could because he would be in a position to know whether or not any motive would exist on Riter's part to raise prices for the purpose of inducing others to buy the security. I said that if no such motive existed, the circumstances presumably would not make it look as though the raising of prices incident to covering the short position would be unlawful. I told Mr. Doolittle that on the basis of the facts which he had given me I did not think that such facts, standing alone, appeared to reflect any motive for Riter to manipulate the stock.

Mr. Doolittle then said that the reason he called me was because he had gotten a contrary opinion from George Parlin. I then called George Parlin and summarized the situation as above. George told me that he had been disturbed by the fact that as of the 26<sup>th</sup>, at least, Riter & Co. still wanted to retain its short position and since at that time Riter & Co. had increased its short position, he felt that at that time Riter had a purpose to support the market and a raising of prices so soon thereafter might be questionable. Mr.

Parlin also had the impression from Doolittle's apparent reticence in discussing the matter with him that Riter & Co. might be looking for further financing. We both agreed, of course, that if Riter was interested in further financing, a raise in the prices would be subject to suspicion. Mr. Parlin and I agreed that the only difference between us was one of emphasis and color which he or I might place upon the facts as given to me which, by the way, coincided with what he had been told. I told Mr. Parlin that if Riter covered at rising prices under these circumstances, I would certainly not suggest any investigation and that, in no event, under these circumstances, would I see any basis for us to proceed on a theory of manipulation. I asked Mr. Parlin to call Mr. Doolittle back and discuss the matter further with him and suggest that if Doolittle or Riter still had questions they might both call me.

FTGreene/bfp