

Exhibit "B"

BARROW, WADE, GUTHRIE & CO.

Equitable Building
120 Broadway
New York

December 23, 1937.

Colonel Arthur H. Carter,
Haskins & Sells,
67 Broad Street,
New York, N. Y.

"A Statement of Accounting Principles"

Dear Colonel Carter:

Following my conversation with you today at lunch, I am writing this letter, as authorized by the Executive Committee in the absence of Mr. Teele who is in Florida at the present time, in an endeavor to reach an agreement on financing the above publication that will be mutually satisfactory.

At the outset I desire to state that the Executive Committee yesterday felt that, because of the number of pages in the book (156), as finally determined by the printer, the complexion of the situation had somewhat changed as the members of the Executive Committee present had understood from you originally that the publication would be in pamphlet form about the size of or at any rate not much larger than the pamphlet entitled "Examination of Financial Statements" which comprises 41 pages. Bearing that point in mind, the Committee very carefully considered the question of financing the publication, realizing very fully that it was one worthy of the profession and the standards set by the American Institute of Accountants. It was generally the opinion that such a publication could be put out upon a self-sustaining basis after providing for an adequate free distribution.

You no doubt have noted that in Mr. Teele's letter to Mr. Wildman, dated 9th instant, he pointed out that the anticipated revenues of the Institute had been fully appropriated and suggested that financing the publication might be arranged out of the principal of the Endowment Fund. It was pointed out to the Executive Committee, however, at its meeting last Wednesday that Mr. Spencer Gordon, Counsel for the Institute, very strongly advised against using the principal of the Endowment Fund for such a purpose. The Committee, therefore, felt it was only right and proper that Mr. Gordon's advice should be followed.

Despite the fact that no funds are specifically available to the Executive Committee for this purpose at the pres-

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ent time, nevertheless, the Committee is anxious and willing to evolve a plan of procedure looking towards the prompt publication of the book:

After very full consideration at its meeting on Wednesday, the Committee believes that the publication can and should be arranged upon a self-sustaining basis, after providing for an adequate free distribution, along the following lines:

- (1) That the free distribution would be limited to a maximum of 6,000 copies (I would be willing to increase this maximum slightly upon my own responsibility).
- (2) That the firm of Haskins & Sells would be supplied with 2,000 copies at approximate cost, your firm being the only participants upon this basis.
- (3) That additional copies would be sold at a price of \$1.00 each estimated to insure the recovery of the total cost of production and distribution.

Upon the foregoing basis the Committee is willing to assume responsibility for the entire cost of publication using current excess funds of the General Fund of the Institute for that purpose.

You will, of course, understand it is impossible to estimate a sales price that would recoup the cost exactly, but the Executive Committee would be glad to deal with any excess return over cost at your direction. You will recall at lunch today I suggested that such an excess, if any, might go to the Endowment Fund or, preferably, to the Building Fund. I gather that you lean toward increasing the Building Fund rather than the Endowment Fund. However, the financing of the project under this proposal would be out of the General Funds of the Institute and such receipts as come in would be received by the General Fund. The American Institute Publishing Company will have, as you know, nothing to do with this publication.

Following our conversation at lunch, I have discussed with Mr. Carey the question of the free mailing list and have before me Mr. Wildman's letter of December 16th to Mr. Smith of the Institute. If you think there is any merit in the above proposal, which, of course, has the approval of the Executive Committee, I suggest that an adequate free distribution would be as follows:

American Institute Members and Associates	5,000
American Accounting Association Board of Directors	20
Bar Associations in U.S.A.	75

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National Association of Cost Accountants Board of Directors	50
Robert Morris Associates Officers and Board	20
Comptrollers Institute Board of Directors	20
Principal Newspapers	50
Magazines such as "Business Week", "Forbes", "Colliers", etc.	30
Miscellaneous Financial Journals	40
Stock Exchanges	60
Twentieth Century Fund	5
American Bankers Association	20
Investment Bankers	20
National Association of Credit Men	20
Securities and Exchange Commission	20
Interstate Commerce Commission	20
Foreign Accounting Magazines	25
C.P.A. Associates	60
Business Schools	400
	<u>5,955</u>

In connection with the binders, I am informed by the Institute office that, from a sales standpoint, it would be undesirable to have the same issue in two different bindings for sale at two different prices. In other words, the copies for free distribution could be bound in a flexible binder (substantial but not expensive). The copies that are sold could be readily sold, we believe, in quantities at \$1.00 per copy with a substantial stiff binder. The increased cost between the flexible and stiff binder would not be very serious. I assume, in connection with the 2,000 copies required by your firm, you would wish to have the stiff binders used. However, we can arrange with you very easily to supply part in the flexible binder and part in the stiff binder.

Regarding the possible sale of this publication, the views of the Executive Committee were somewhat divided. We took as a measure the pamphlet "Examination of Financial Statements" of which there was a free distribution of approximately 3,000 copies (this took place before the merger at which time the membership of the Institute was approximately 2,600) and an ultimate sale over the two years of an additional 36,000. You will understand, of course, that the sale of this pamphlet is expected to continue for some time.

I am one of those who believes that your book "A Statement of Accounting Principles" (because after all it is no longer a pamphlet) should have a successful and wide sale. Nevertheless, I believe that in budgeting for such sale one should lean to the conservative side. Hence, you will note that upon the printing of 20,000 copies with free distribution of 6,000 copies we would require to sell roughly an additional 5,000 copies at

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\$1.00 in order to recoup the total cost. This method, I believe, would be perfectly sound from a financial standpoint. While it may perhaps appear that the sales price might be somewhat reduced, nevertheless, I am advised that a book of this kind, which might readily be used by students of accounting throughout the country, priced at \$1.00 per copy would be at a comparatively low rate when considered against the regular accounting publications which sell anywhere from \$1.50 to \$4.00 and \$5.00 per copy. In other words, the student would not feel that he was being overcharged at the price of \$1.00. Moreover, I think you will agree that when something is obtained for nothing it is not nearly so much appreciated as when the recipient has to pay a reasonable and fair price for what he receives. In fact, on this theory the price of \$1.00 is too low. If this book had come in the ordinary way to the Institute Publishing Company and had been accepted for publication by the Committee on Publications, which unquestionably would have been the case, it would have been offered for sale not only to members of the Institute but to the public at large after being adequately advertised at a price not less than \$1.50, based upon the rule of thumb method of one cent per page. Under such circumstances, I believe that the Publishing Company would have sold a very large number of copies.

I have taken the time to go into this matter as fully as possible with the information I have at hand in the hope that an arrangement satisfactory to you and to the Executive Committee of the Institute could be reached at an early date so that publication of the book will not be delayed longer than is necessary. I expect to be at my office each day during the rest of this year, except holidays and Sundays, and will hold myself at your disposal to discuss the matter further with you should you so desire. Of course, should you have any other method of financing the publication to suggest, I shall be glad to discuss it with you.

With kind regards and best wishes for the Season,

I am

Sincerely yours,

P. W. R. GLOVER (SIGNED)

PWRG:MM