To: Francis T. Greene, Assistant Director
   Trading and Exchange Division
From: New York Regional Office
Re: Secondary distribution of Jacobs Aircraft through
    Ritter and Company

This is with reference to our telephone conversation of yesterday with respect to
the above offering.

At your request I telephoned Mr. Doolittle of Wright, Gordon, Zachry, Parlin and
Cahill. He confirmed that our previous telephone conversation had been with respect to
the above offering. Previously he had refused to give the name of the security or the
underwriter. I told him that whether or not Ritter and Company in covering a short
position at rising prices would violate Section 15(c)(1) of the Securities Exchange Act of
1934 would turn on a question of intent and intent would have to be determined by
objective factors. I understood that on the facts stated you did not feel that there was any
inference of an intent to manipulate the over-the-counter market. I added that I
understood you placed particular emphasis on the following factors:

1. The entire issue has been distributed.
2. The underwriter has been unable to get additional
   stock either from the source of the secondary
   distribution or from other sources “off the market.”
3. The present market is “strong.”

I told Mr. Doolittle that the only difference between your point of view and mine
was that I was more inclined to place emphasis on the following factors:

1. The present distribution consisted of only a part of
   the holdings of a group of stockholders.
2. Mr. Doolittle stated that they were unwilling to sell
   additional shares to the underwriter “at the
   present price.”
3. Neither the underwriters nor the group of stockholders
   interested in the distribution contemplate any further
sales” at the present time” or “at the present price levels."

4. On November 26, the underwriters had a short position of 2200 shares. The distribution had been completed on November 7. When they were hit with 2,000 shares, the underwriters dropped their bid.

5. On the first bulge in the market since that date, the underwriters proposed to cover their short position at rising prices.

From the factors stated above, it seems possible to infer:

(a) That the group of stockholders for whom Ritter and Company have been acting as underwriter might benefit from a rise in the market prices.

(b) That Ritter and Company might be able to get a further block for distribution at a higher price.

(c) That Ritter and Company did not use their short position to support the market on November 26 but saved their buying power in order to hit a bulge in the market.

In an earlier conversation (at a time when Mr. Doolittle refused to divulge the name of the security or the underwriter), I had advised that if there was an unexplained rise in the bid price in the sheets, we would have no alternative but to investigate if the matter came to our attention. I pointed out yesterday that since we now knew the security and the explanation, in the absence of further facts a rise would not appear to warrant an investigation.

Because of my “emotional affiliation” with Mr. Doolittle’s firm, it seemed desirable that I spell out my personal views at some length. I hope you will not disapprove even if you do not agree.

George S. Parlin
Assistant General Counsel.