

STOCK PROSPECTUS

STOCK MARKET GAME



Most of the following stock companies existed in the 1920's. Some became successful, others failed. Read the following prospectuses carefully and decide which stocks you wish to purchase. In the game there will be 7 price changes between 1920 and 1929, when the game ends. Student brokers have been selected in your class; they will buy or sell stock to you as new stock prices are posted.

You will be given \$400 to invest. The game begins in 1920 with each share of stock selling at \$10 a share. Stock will only be sold in 10 share blocks or at a beginning price of \$100 a certificate. You may buy or sell your stock at any time at the listed price, except when the market is closed to post new stock prices.

prospectus - A formal legal document that provides details about an investment offering for sale to the public. A prospectus should contain the facts that an investor needs to make an informed investment decision.



KROGER FOODS: A newly established regional food processing company. It has canneries in five or our major West Coast cities and deals basically in fruit and tomato products. It has recently offered share to the public and it has been listed on the exchange for just one week. Market experts view this entry as rather speculative and are unwilling to venture any opinions on investment opportunities with Kroger Foods. At present Kroger Foods hopes to purchase five other regional food processors. If successful, Kroger Foods could be an excellent money maker with national markets. Of course, food industries always depend on agricultural prosperity and good crops; this year may be questionable. A good crop and successful merger could make many stockholders very wealthy.

Stock Symbol: KRG



RADIO CORPORATION: This company has long been considered one of the better buys in the field of electronics. This corporation seems to have a bright future. Market experts see this corporation as a good, long term investment, which is safe and provides security for its stockholders. In the past year, it has made a small gain and could continue to grow slowly. The future of Radio Corporation will depend on its new production models and if they are competitively priced.

Stock Symbol: RCA



Mammoth Oil

MAMMOTH OIL: Owned and operated by Harry Sinclair. Mammoth has oil leases in Elk Hills in California. The newly opened field, which geologists feel may be the largest oil field in the United States, has 25 producing wells at the present time. Sinclair is rumored to have the backing of influential government employees. Mammoth has borrowed large sums of money to explore for oil in California and Wyoming and to develop Elk Hills. Secretary of the Interior Fall is reported to be a large stockholder. Sinclair's company has not paid dividends in the past 5 years of operation. The value of Mammoth Oil stock has fluctuated between 20¢ and \$5 a share for the past two years.

Stock Symbol: MMO



THE NATIONAL BANK OF GOTHAM CITY: This bank is one of the oldest, wealthiest, and most conservative financial houses in the country. The owner is proud of saying that his bank still operates on the same principles first established by Alexander Hamilton in 1790. This stock is so stable that when it once dropped two points in a week, back in 1893, it set off a small scale recession. This bank has paid an annual dividend for 130 years.

Stock Symbol: GTH



Information Provided by

Peyton Investments

Wall Street, NY, NY



DURANT MOTORS: This corporation was founded by a well-to-do carriage maker in Flint, Michigan. Durant took over several undercapitalized companies and brought together 12 auto producers, including

Oakland Motors. Rapid expansion has left the company badly undercapitalized. Management fears that Durant Motors may be taken over by the banks. The company is attempting to produce a low cost car and has hired Charles "Boss" Kettering to manage a number of plants. Kettering plans to produce a car with a "self starter." Durant Motors presently produces the Locomobile, the Durant-Four and the Flint. His long range plans are to develop a giant combination of automobile manufacturers. At this time investment in Durant Motors is risky due to a lack of capital.

Stock Symbol: DRM



MIDLAND UTILITIES: Owned and operated by financial genius Samuel Insull. Midland is part of a billion-dollar corporation operating in 32 states. Several of the most powerful banks and brokerage houses of the Midwest are regarded as his instruments. Midland produces

electricity for central Chicago and is expanding into the suburbs. Midland has developed and is using giant steam turbines to generate power. Insull's financial manipulation and the mass marketing of stock has made Midland one of the most powerful corporations in the Midwest.

Stock Symbol: MLU



NEW YORK NEW HAVEN AND HARTFORD RAILROAD COMPANY:

The NYNH&H has been in existence for over 60 years. Their assets are many and diversified. In the past they have

shown to be a stable company with small but regular dividends. While many railroads are faced with declining profits, the NYNH&H shows a steady increase. They are presently expanding into the Southwest and plan to extend their holdings into Mexico.

Stock Symbol: NYH



TEL-TONE: This telephone company is just being capitalized. This is their first public offering of stock. They presently plan to raise 12 million dollars and manufacture a dial-telephone. This process

reportedly will revolutionize the use of the telephone. Their management is young and inexperienced. Any capital invested should be considered high risk. But currently, their stock is one of the hottest on the exchange. It has tripled in value since it was placed on the market less than two months ago.

Stock Symbol: TLT

INVESTOR

INSTRUCTIONS

As an investor, you will be trying to make as much money as you can on the stock market by buying and selling stocks. Begin by reading through your Prospectus to determine which stocks you think you will want to focus on buying.

You will be given \$500 to start investing with. Remember that stock shares are only sold in the form of **10 share certificates**, so the price of a certificate will be whatever the current price is (\$10 at the start) **times 10**.

$$1 \text{ Certificate} = 10 \text{ shares} \times \$10 \text{ per share} = \$100$$

Prices will change as the game goes on. Each round, you will shown news about each of the different companies. Be sure to think about how this news might affect the change in price over time!

BUYING OPTIONS

You may buy or sell your stock at any time, except when the market is closed for new postings. When buying, you may either:

1. *Buy stocks with just your own money.* This means you don't have to worry about paying back any borrowed money. It is a safer option, but because of this, it pays back a much smaller reward if your stocks go up.
2. *Buy stocks on margin.* This means that you may borrow money to make a much larger investment. You must pay a 10% margin on all stocks, so you cannot borrow more than you are able to cover with your margin. This means that if you have \$500, the most you could borrow would be \$5,000 to invest (since 500 is 10% of 5000). To find out how much you are able to borrow, simply multiply how much cash you have by 10. This is a much riskier option, but pays back a much larger reward if your stocks go up.

Whatever your buying choice, remember that you can only buy new stocks with cash. If you end up investing all your cash, you will need to sell some stocks before buying new ones.

TRACKING YOUR STOCKS

The collection of an investor's stocks is referred to as his/her **portfolio**. Track the price of your stocks over time:

Stock	Opening Price	1920	1922	1923	1925	1927	1928	1929
Kroger Foods KRG	\$10							
Radio Corporation RCA	\$10							
Mammoth Oil MMO	\$10							
Gotham Bank GTH	\$10							
Durant Motors DRM	\$10							
Midland Utilities MLU	\$10							
NYNHH Railroad NYH	\$10							
Tel-Tone TLT	\$10							

MARGIN LOANS

If you decide to buy stocks on margin, you will need to keep track of what you owe your broker. REMEMBER - You will need to pay your broker back interest on top of what you borrowed! For this game, the interest is equal to the amount you paid in margin. This means that if you paid \$100 margin and borrowed \$900 for a \$1000 stock purchase, you will need to pay your broker back \$1000 (900 + 100 interest).

MARGIN PAID (IN CASH)		AMOUNT BORROWED	+	INTEREST ON LOAN	=	AMOUNT OWED TO BROKER	BROKER SIGNATURE
			+		=		
			+		=		
			+		=		
			+		=		
			+		=		
			+		=		
			+		=		
			+		=		
			+		=		
			+		=		
<i>Total Owed to Broker:</i>							

FINAL VALUE OF PORTFOLIO

If you have not cashed out already, sell back all your stock certificates to your broker at the current stock price, then add up the total of the cash you have here:	\$
Next, enter the total amount of money you owe your broker here:	- \$
Finally, subtract what you owe your broker from the cash you have to get the final value of your portfolio.	= \$

STOCK BROKER

BROKER INSTRUCTIONS

As a stock broker, you will buy from or sell stock to the players. As the game begins you have all the stock certificates. There are 8 stocks; they should be separated into 8 piles. Each stock certificate represents 10 shares, so the selling price should be 10 times the posted value. For example: if a share of stock is selling for \$8, the player must pay \$80 for the 10 share certificates, (10 x \$8 = \$80).

Each stock is worth \$10 a share, when the game begins. Players pay \$100 for each certificate. After every player has purchased stock, new prices will be posted. When stock is purchased, you must check the current price per share and sell or buy at that price. For example: if a player has 3 certificates (30 shares) and the current listed price is \$4 a share, you would pay him \$120 for his 3 certificates; (30 shares x \$4 = \$120).

Students may buy or sell their stock at any time, except when the market is closed for new postings.

Keep track of stock prices using the record below:

STOCK RECORD

Stock	Opening Price	1920	1922	1923	1925	1927	1928	1929
Kroger Foods KRG	\$10							
Radio Corporation RCA	\$10							
Mammoth Oil MMO	\$10							
Gotham Bank GTH	\$10							
Durant Motors DRM	\$10							
Midland Utilities MLU	\$10							
NYNHH Railroad NYH	\$10							
Tel-Tone TLT	\$10							

Keep Track of Who Borrows Money From You to Buy on Margin

ROUND	NAME OF BORROWER	AMOUNT LOANED	PLUS 10% INTEREST	TOTAL AMOUNT OWED
START				
1920				
1922				
1923				
1925				
1927				
1928				
1929				

THE STOCK MARKET GAME

A stock market game in which students invest in simulated stock. They will experience the thrill of speculation and the panic of a crash.

Teacher Instructions

OBJECT: Student involvement in an operating stock market in which they have an opportunity to make decisions which will cause them to succeed or fail. The game also stimulates interest in the '20's and what caused the panic and crash of 1929.

TIME ALLOTMENT: Two class periods

PROCEDURE:

1. Duplicate one copy of the two page stock prospectus for each student" page 3 and 4. Duplicate 40 copies of stock certificates, page 10c for every 30 students who will play the game. After duplication, cut each page into the 8 stock certificates.
2. Select four students as stock brokers. They will sell and buy stock from the players, as you post new prices. The brokers should be centrally located at a single table, and should be given all the stock certificates at the beginning of the game. Surplus money should also be given to the brokers.
3. The Game: Give each player the stock prospectus and issue each player \$500 (4 one hundreds, 1 fifty and 5 tens). When each player has had a chance to read the stock prospectus, allow the players to buy stock from the brokers. The opening price is \$10 a share for each stock. Each stock certificate represents 10 shares. So the opening cost is \$100 per certificate. When every student has purchased stock, read and post the outcomes for 1920. The listing of new stock prices should be posted on the board or on a transparency. Do not erase the earlier postings. Brokers then should begin to buy and sell stock at the new prices. After approximately 10 minutes stop selling stock and close the market for new postings. After posting 1922, allow those students who wish to buy or sell to do so. When about 5 minutes has passed, read the special announcement about President Harding. Allow the market to remain open for 5 more minutes. Those who realize his death will cause a slump will have a chance to sell. Close the market and read the new postings. The game ends after you have posted the results for 1929 (the year of the crash). There are seven postings or stock prices. After the crash have the brokers buy back the stock and determine who has made the most money.
4. Posting price changes: Make a transparency of page 11 (Stock Record) and post new stock prices as they are given. If transparency material is not available draw the chart from page 11 on your blackboard.

CRITIQUE:

1. Begin by asking members of the class how much money they made. Ask the successful ones what system, if any, they used. "Buy low and sell high" might be an example. You may want to reward the top money winners with special privileges or with points. Discuss with the students the various stocks (most of them were actual companies), and what caused some to rise and fail.
2. Also discuss buying on the margin (amount of money put down when buying on credit). In the 1029's there was a 10% margin.
3. Ask the class if anyone sold out before the crash. Ask them to explain what caused them to do this. Begin a discussion of the crash.

KROGER FOODS



10 SHARES

**RADIO
CORPORATION**



10 SHARES

MAMMOTH OIL



Mammoth Oil

10 SHARES

**NATIONAL BANK OF
GOTHAM CITY**



10 SHARES

**DURANT
MOTORS**



10 SHARES

**MIDLAND
UTILITIES**



10 SHARES

**NEW YORK, NEW HAVEN, &
HARTFORD RAILROAD CO.**



10 SHARES

TEL TONE



10 SHARES