

SOUTHERN BUILDING
WASHINGTON, D. C.

OCT 10 1935

Report No. 35-42-A

ISSUED SEMI-WEEKLY

October 10, 1935

Chairman Landis Speaks

Oct 9.

In a speech delivered before the American Management Association, Chairman Landis, of Securities and Exchange Commission, said that SEC will consider allowing the use of a modified prospectus. Extracts from Mr. Landis' speech:

Some prospectuses, that have passed through our hands, have carried a brief summary of what the underwriter deems to be the salient facts upon the front page in the hope that even the laziest investor will read at least one page. Some have carefully refrained from the common legal failing of prolixity and succeeded in being succinct and clear. One suggestion, that certain deserves important consideration, is that the Commission should act under the powers granted it by Section 10 of the Act and provide for a type of brief prospectus for the average customer who, at the same time, if he so chose could demand the fuller expert type of prospectus.

Recently the Commission provided by regulation for certain types of newspaper prospectus in the hope that offerings of securities would be announced in a less bare fashion than is the present practice. Actual tests proved that the regulations permit advertisements comparable in scope to the better advertisements in use before the Act. Newspaper advertisements of this type have not, however, appeared. One explanation, of course, may be that recent markets have been sellers' markets and thus advertising has been considered an unnecessary luxury. But examination also indicates that hesitation as to the use of these offering announcements also springs from some vague fear of liability consequent upon their use, because of the fact that all the material facts are not stated in the advertisement. The occasion for such a fear is beyond our legal understanding. That material facts are omitted is patent from both the regulation and the advertisement. Who would deny that the recent financial record of the corporation is a most material set of facts? And yet, the regulation permits its entire omission. Obviously, the omission of material facts was designedly implied by the very power granted to the Commission to classify prospectuses under Section 10. And if there be the slightest doubt upon that score, the very regulation of the Commission by force of Section 19 protects any person from liability who acts pursuant to its direction.

The Act provides for a lapse of twenty days between the time of filing and the effective date of registration, that is, the date upon which the security can first be legally offered. The purpose of this period was primarily to permit examination of the statement by us and correction of its patent defects before offering, or, in default of such correction, the institution of proceedings to prevent sale of the security. Another purpose was to provide for more orderly and less feverish distribution of the security, in the thought that this twenty day cooling period would permit wide dissemination of the basic facts regarding the security prior to the time when commitments could be made. Considerable question arises as to whether the second purpose has been effectively realized and whether some of the byproducts of that mechanism are not matters for our

serious concern. I cannot on this occasion take the time to analyze this situation. But it seems to me that you should be made aware of the factors that have and will tend to make for delay in the twenty-day period.

Delay beyond the statutory period can hardly, if ever, be charged to us except in cases where adequate reason for that delay existed. Indeed, on occasion we might well be criticized for not delaying beyond the period, when underwriting and price amendments frequently reach us a mere twenty-four hours before the date of public offering. Delays, where they occur, spring from a variety of causes of which several are outstanding. Chief among these is pure carelessness in the preparation of data. The act of registry called for by the statute is as solemn as should be the act of seeking the safeguarding of other people's money. Carelessness and inadequate preparation in the undertaking of such a venture should never be countenanced.

Again, delay arises from an unwillingness to meet the test of full and fair disclosure. Criticism arising from delay due to such a cause, is, of course, real praise. Recently, however, certain public offerings have encountered delay for a reason that gives us great concern. The very nature of the offering itself - for example with outstanding options, sales to be effected against market quotations; often accompanied by an agreement to withhold for a specified time from the public market an overhanging large block of stock - is perfectly adapted for traditional manipulative tactics. To expedite such an offering without a thorough investigation of whether manipulation has indeed already begun or is in preparation, would justly bring discredit upon the administration of the act. And investigations of this character are both lengthy and burdensome. We can and do meet justifiable demands to meet an offering date on schedule, and you can be assured that the instances when delay is incurred normally arise from some factor that should never have been permitted to enter the planned offering in the first instance.

Syndicate Support

According to a report, a number of investment bankers are preparing to discuss with SEC the question of support given by bond syndicates to new issues in the process of distribution. There are major differences of opinion among bond men as to whether such support is desirable, some contending that syndicates should be closed at the earliest possible date and the unsold securities distributed among the syndicate members.

New Issues Expected

Columbus Rail and Light is expected to file within a few days on an issue of \$25,000,000 of bonds. The proceeds will be used to refund outstanding debts.

A large utility company is working out plans to issue \$25,000,000 of Preferred Stock.

Los Angeles Gas and Electric Company is said to be considering registration of \$40,000,000 of new bonds, proceeds from which would be used to refund the entirety of its bonded indebtedness.

SECURITIES *Service* COMPANY

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New Issues Filed With SEC

ELECTRIC SMELTERS, INC., Dover, Del. (Principal business office: Central City, Colorado). 500,000 shares of \$1 par value common stock. Filed October 4. Effective date October 24.

Underwriters: Central Management Corp., and George Murfitt, 67 Wall Street, New York City, have been appointed agents to effect distribution of stock. To be offered to public at 70 cents per share. Dealers will receive a commission of 20 cents per share.

History: Incorporated in August, 1933, actually started operations on July 2, 1935. Engaged in business of melting and reducing ores and other metalliferous substances by means of the Wile Electric Smelter. Raymond S. Wile, inventor of the Wile Electric Smelter, is president; George Murfitt, 67 Wall Street, New York City, vice president, Robert Field Danley, 67 Wall Street, New York City, treasurer, Douglas Campbell, 57 William Street, New York City, secretary, and William H. Wilcox, 92 Liberty Street, New York City, a director. Wile Service, Inc., 43-31 167th Street, Flushing, Long Island, owns 60% of the outstanding common stock. \$200,000 of the expected net proceeds from sale of stock will be used for purchase or lease of mining properties where the electric smelter can be profitably employed for the economical recovery of metals, and \$50,000 for organization and general corporate purposes.

LEWIS-AMERICAN AIRWAYS, INC., Continental Oil Building, Denver, Colorado. 6,500,000 shares of 1 mill par value common stock. Filed October 5. Effective date October 25.

Has been in business since May, 1931, engaged in manufacture, sale and repair of motor vehicles and airships. Paul M. Lewis, president of the company, owns 26,824,130 shares of the 37,288,996 outstanding. The 6,500,000 shares will be offered to public at 15 cents per share, and an additional 3,285,000 shares will be offered to employees of the company at 1 cent per share. Stock to be sold through salesmen employed by the company. Net proceeds, estimated at \$200,000 will be used in development work.

FRYE INVESTMENT CO., 2203 Airport Way, Seattle, Wash. \$1,000,000 of First Mortgage 6% Bonds. Filed October 7. Effective date October 27.

Bonds are being registered in connection with reorganization plan. Because the earnings of the company are insufficient to meet the Sinking Fund provision of the original trust deed and the personal affairs of the owner do not permit his advancing additional funds, it has been necessary for the company to default

Upon request, we will gladly supply any additional information that may be desired in connection with issues pending at SEC. There is no extra charge.

on \$40,000 Sinking Fund payment due Nov. 15, 1934, and \$40,000 due May 15, 1935. The bondholders are asked to waive sinking fund provisions and accept in lieu of Sinking Fund the excess earnings. In order to be in a position to dispose of properties the bondholders are asked to modify the percentage of cash for release from 80% to 60% of appraisal, or to accept bonds in lieu of money to 80% of appraised value of property sold.

CALWAY CORPORATION, 2515 Wichita Street, Houston, Texas. 150,000 shares of \$1 par value common stock. Filed October 5. Effective date October 25.

Incorporated July 27, 1935, to develop and operate oil and gas properties acquired in the counties of Webb and Jim Hogg, Texas, comprising 418 acres. Promoters are R. K. Larson, 3295 Adriatic Avenue, Long Beach, Calif., and C. W. Hall, 1351 Lagoon Avenue, Wilmington, Calif. Charles H. Voiers, of the Southern Chevrolet Company, in Houston, is president of the company. Stock to be offered to public at \$1 per share. Dealers will be offered a commission of 25 cents per share.

COULSON CONSOLIDATED GOLD MINES, Ltd., Royal Bank Building, Toronto, Ontario. 1,200,000 shares of \$1 par value common stock. Filed October 5. Effective date October 25.

Incorporated in March, 1928, commenced active development of mine May 1, 1933. Ulic Burke & Co., 1050 Ellicott Square, Buffalo, will purchase the 1,200,000 shares at following prices (Canadian money): 200,000 shares at 30¢ each; 200,000 shares at 32½¢ each; 200,000 shares at 35¢ each; 200,000 shares at 37½¢ each; 200,000 shares at 40¢ each, and 200,000 shares at 42½¢ each. To be offered to public at twice the amount paid by underwriter.

BLACKBURN PATTISON MINES, LTD., Bank of Hamilton Building, Toronto, Ontario. 400,000 shares of no par value common stock. Filed October 7. Effective date October 27.

Incorporated June 28, 1935, to develop property in the Kenora Mining Division, consisting of 780 acres. Promoters are Edward P. Pattison, 1536 Deleware Avenue, Buffalo, and Charles R. Blackburn, 1609 Queen Street, West, Toronto. No underwriter. To be offered to dealers at 75 cents per share, and to public at \$1 per share.

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