

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST



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FOR RELEASE March 26, 1965

DECISION ISSUED IN SPEAR & STAFF CASE. The SEC today announced its detailed "Findings and Opinion" supporting a prior order involving Spear & Staff, Incorporated, and its president, Roger E. Spear, of Wellesley Hills, Mass. In an order of July 14, 1964, the Commission ruled, on the basis of an offer of settlement by the two respondents, that in advertising its market letters the Spear firm, aided and abetted by Spear, violated provisions of the Investment Advisers Act and SEC Rule 206(4)-1 thereunder. The order directed, as provided in the settlement offer, that the firm refrain for 90 days from advertising for new subscribers to its publications and, during such period, undertake to establish new controls for the purpose of preventing future violations.

In discussing the prior advertisements in today's decision, the Commission stated: "Prevading and dominating this literature, which was couched in enthusiastic and dramatic language, was the insistent implication that registrant possessed the ability to select stocks that were certain to appreciate in price quickly and substantially, and that a certain road to riches was at hand for those who availed themselves of registrant's guidance. Caution and conservatism were scorned as attributes of people who 'are still thinking small.'" In describing its "special situation investing," the firm defined a special situation as "a security whose primary characteristic is its 'built-in' capacity to bring extraordinarily large capital gains," and it described special situation investing as "A BRILLIANT AND PROFITABLE INVESTMENT CONCEPT . . . a proven, highly professional approach to making money in the stock market . . . that is both bold and simple, yet technically sound, intrinsically safe, and completely practical." Subscribers were told that the chance was "NOW" open to them to add to their wealth through special situations that could bring "the greatest profit at the smallest risks."

The firm also used the technique of recounting outstanding success stories said to be attributable to their investments in special situations; and the over-all impression of certain, substantial, and quick profits through the utilization of registrant's advisory services was additionally fostered by the excessive optimism with which registrant described its securities selections.

"In our opinion," the Commission stated, "registrant's advertisements were calculated to arouse, in an excessive and unwarranted manner, illusory hopes of immediate and substantial profit, and were violative of the Act's anti-fraud provisions and of Rule 206(4)-1(a) thereunder. They were deceptive and misleading in their over-all effect even though it might be argued that when narrowly and literally read, no single statement of a material fact was false. In appraising advertisements such as those now before us we do not look only to the effect that they might have had on careful and analytical persons. We look also to their possible impact on those unskilled and unsophisticated in investment matters."

In conclusion, the Commission observed that the firm's sensational advertising featuring the get-rich-quick theme was incompatible with responsible methods of obtaining clients for investment advisory services. Advertisements of this kind have a substantial adverse effect on the public interest. Not only do they tend to mislead and deceive investors, they also tend to debase the standards of the investment advisory industry by creating a competitive environment that tempts advisers to vie with each other in making unsupportable claims to prophetic insight.

While agreeing to accept the offer of settlement under the circumstances of this case, the Commission stated " . . . the relative leniency of the sanction that we impose in this case should not be misconstrued. In light of the admonitions of this opinion we shall be disposed to deal more severely with any future instances of false and misleading advertising by investment advisers." (Release IA-188)

TEMPORARY EXEMPTION FOR INSURANCE COMPANIES. The SEC today announced the adoption of a new Rule 12h-1 under the Securities Exchange Act (Release 34-7562) with respect to insurance companies which may be required to file registration statements with the Commission under the new Section 12(g) of the Act. Section 12(g) requires certain issuers to file a registration statement with the Commission within 120 days after the last day of their first fiscal year ended after July 1, 1964. By its Rule 12g-1, the Commission previously extended the filing date to April 30, 1965, for issuers which do not file reports with the Commission under Section 13 or 15(d) of the Act.

An exemption from registration for an insurance company is provided in Section 12(g)(2)(G) if all the following conditions are met: (1) such insurance company is required to and does file an annual statement, conforming to that prescribed by the National Association of Insurance Commissioners ("NAIC"), with the insurance regulatory authority of its domiciliary state; (2) such insurance company is subject to regulation of proxies, consents or authorizations by its domiciliary state as prescribed by NAIC; and (3) after July 1, 1966 the purchase and sales of securities issued by such insurance company by beneficial owners, directors or officers of such company are subject to reporting and trading regulations by its domiciliary state in the manner provided by Section 16 of the Act.

The insurance regulatory authorities of many states believe it necessary or desirable to receive express legislative authority to adopt the proxy regulation prescribed by the NAIC. Rule 12h-1 is intended to give the states an additional period of time to establish proxy regulation as contemplated by clause (ii) of Section 12(g)(2)(G) of the Act. The Commission believes the extension granted by the rule for the calendar year 1965 to permit necessary implementation by the states is adequate and reasonable.

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Rule 12h-1 makes it clear, with respect to an insurance company coming within its terms, that the earliest date a registration statement under Section 12(g)(1) must be filed is April 30, 1966. Of course, an insurance company will not be required to file a registration statement on or after such date if the conditions of clauses (i) and (ii) and, after July 1, 1966, clause (iii) of Section 12(g)(2)(G) are met, or the securities of such company are otherwise exempt from filing under Section 12(g)(1) of the Act.

FIRST EQUITY SECURITY INVESTMENT PROPOSES OFFERING. First Equity Security Investment Corporation, 640 Main St., Anderson, Ind. 46016, filed a registration statement (File 2-23333) with the SEC on March 24 seeking registration of 400,000 shares of common stock. The shares are to be offered for public sale at \$6.50 per share on a best-efforts basis through Schwarm & Co., 626 Park Ave., Hamilton, Ohio, which will receive a 10% selling commission. The registration statement also includes 60,000 common shares, to be offered pursuant to the company's Management Stock Option Plan.

Organized under Indiana law in February 1965, the company intends to invest in life insurance companies. It was instrumental in forming in February 1965 the First Equity Life Insurance Company (an Indiana corporation). The company presently owns 40,600 of the insurance company's 50,600 outstanding common shares, and the remaining 10,000 shares are owned by the insurance company's board of directors. Of the net proceeds from the company's stock sale, \$1,950,000 will be used to purchase 130,000 additional common shares of the insurance company, \$140,000 will be deposited with the insurance company for its segregated account, and the balance will be available for general corporate purposes. The company has outstanding 152,447 common shares, of which 62,447 were purchased at \$5 per share. The remaining 90,000 shares were issued to original incorporators of the insurance company in exchange for 30,000 shares of the insurance company held by them. Management officials own 45,038 of the company's outstanding shares. Richard T. Doermer is board chairman and James E. Eckman is president of the company.

WARDS CO. FILES FOR OFFERING AND SECONDARY. Wards Co., Incorporated, 1705 Brook Rd., Richmond, Va., filed a registration statement (File 2-23334) with the SEC on March 24 seeking registration of 55,000 shares of convertible preferred stock and 55,000 outstanding shares of common stock. The securities are to be offered for public sale in units consisting of one preferred share and one common share. Stein Bros. & Boyce Inc., One Charles Center, Baltimore, Md. 21201, and F. W. Craigie & Co., Inc., 616 E. Main St., Richmond, Va. 23219, are listed as the principal underwriters. The public offering price (\$22 for the preferred and \$19 for the common maximum*), interest rate on the preferred stock and underwriting terms are to be supplied by amendment.

The company is engaged principally in the retail sale of television sets, radios, record players, tape recorders and related items, as well as refrigerators, stoves, washing machines and other appliances. Net proceeds from its sale of preferred stock will be used to retire indebtedness of \$295,000 and for general corporate purposes including the opening of new retail outlets. In addition to indebtedness, the company has outstanding 305,135 common shares, of which management officials own 62.33%. The prospectus lists two selling stockholders, as follows: Ruth M. Wurtzel (wife of S. S. Wurtzel, president), offering 25,000 of 41,403 common shares held, and A. L. Hecht (executive vice president), 30,000 of 73,611.

LENOX FILES FOR SECONDARY. Lenox, Incorporated, Prince and Meade Sts., Trenton, N. J., filed a registration statement (File 2-23337) with the SEC on March 24 seeking registration of 130,000 outstanding shares of common stock, to be offered for public sale by the present holders thereof through Hornblower & Weeks-Hemphill, Noyes, 8 Hanover St., New York 10004. The public offering price (\$27 per share maximum*) and underwriting terms are to be supplied by amendment.

The company is engaged in the manufacture and marketing of dinnerware and giftware. In addition to indebtedness, it has outstanding 704,125 common shares, of which management officials own 27%. The prospectus lists eight selling stockholders, including Harry A. Brown, 2nd, offering 16,000 of 23,130 shares held; John L. Kuser, Jr., 29,900 of 79,900; Walter G. Kuser (director), 30,100 of 76,697; and John M. Tassie (president), 30,000 of 41,850. The remaining selling stockholders are offering shares in amounts ranging from 3,500 to 10,000.

PIONEER INSURANCE PROPOSES OFFERING. Pioneer Insurance Company, Federal Securities Bldg., Lincoln, Nebr., filed a registration statement (File 2-23340) with the SEC on March 25 seeking registration of 60,000 shares of common stock, to be offered for public sale through underwriters headed by R. G. Dickinson & Co., 919 Walnut St., Des Moines, Iowa. The public offering price (\$6.50 per share maximum*) and underwriting terms are to be supplied by amendment.

The company is engaged primarily in writing life insurance, and accident and health insurance. Net proceeds from its stock sale will be added to general funds and used to expand the company's operations. The company has outstanding 590,000 common shares, of which management officials own 2,900 shares and Iowa Business Investment Corporation 325,001 shares. Wendell Pendleton is president of the company.

NUVEEN TAX-EXEMPT FUND FILES. John Nuveen & Co., 135 S. LaSalle St., Chicago, Ill. 60603, depositor and sponsor of Nuveen Tax-Exempt Bond Fund, Series 9, filed a registration statement (File 2-23341) with the SEC on March 25 seeking registration of 150,000 units of participating interest in said Fund. The sponsor has deposited with the Fund's trustee, United States Trust Company of New York, \$15,000,000 of state, county, municipal and other securities considered to be "exempt from all Federal Income Taxes under existing law." Each unit represents a fractional undivided interest in the principal and net income of the Fund in the ratio of 10 units for each \$1,000 par value of securities initially deposited. The registration statement also includes 75,000 additional units which may be reacquired by the depositor and offered for resale.

HOUSTON OIL FIELD MATERIAL FILES EXCHANGE PROPOSAL. Houston Oil Field Material Company, Inc., 7500 E. Twelfth St., Kansas City, Mo. 64126, filed a registration statement (File 2-23342) with the SEC on March 25 seeking registration of 100,000 shares of cumulative preferred stock, \$1.50 participating series. The stock is to be offered in exchange for common shares of Black, Sivalls & Bryson, Inc. (BS&B), at the rate of one preferred share for each two BS&B common shares tendered. The offer of exchange is conditioned upon the tender of at least 155,000 shares of BS&B common stock. First Hanover Corporation, 67 Broad St., New York, and F. S. Yantis & Co., Inc., 135 S. La Salle St., Chicago, as dealer managers, have agreed to use their best efforts to form and manage a group of soliciting dealers to solicit tenders of BS&B stock. The company will pay the managers 10¢ for each share tendered and will reimburse the dealer managers for their out-of-pocket expenses not to exceed an aggregate of \$7,500. The soliciting dealers will receive a 50¢-per-share fee for each share of BS&B stock exchanged.

The company operates primarily as a holding company. In May 1964, it leased substantially all of the property, plant and equipment of its operating divisions to BS&B, of whose common stock the company presently owns 371,518 shares (60.9%). BS&B is engaged generally in manufacturing oil and gas processing equipment and steel products, oil field supply distribution, oil field rental and oil field services. In addition to indebtedness and preferred stock, the company has outstanding 562,955 common shares, of which management officials own 20.09%. J. T. Kenneally is board chairman and A. W. Waddill is president of the company.

VIRGINIA ELECTRIC AND POWER PROPOSES BOND OFFERING. Virginia Electric and Power Company, 700 E. Franklin St., Richmond, Va. 23219, filed a registration statement (File 2-23343) with the SEC on March 25 seeking registration of \$60,000,000 of first and refunding mortgage bonds, Series T, due 1995, to be offered for public sale at competitive bidding. The company, an electric utility operating in Virginia, North Carolina and West Virginia, will use the net proceeds from its bond sale to finance, in part, its 1965 construction program, estimated at \$111,700,000.

CONTINENTAL VENDING TRADING BAN CONTINUED. The SEC has issued an order under the Securities Exchange Act suspending exchange and over-the-counter trading in securities of Continental Vending Machine Corporation for a further ten-day period, March 28 to April 6, 1965, inclusive.

PHILADELPHIA ELECTRIC POWER RECEIVES ORDER. The SEC has issued an order under the Holding Company Act (Release 35-15209) authorizing Philadelphia Electric Power Company, a registered holding company, to sell at competitive bidding \$25,000,000 of sinking fund debentures, due 1995, and to acquire 550,000 additional shares of common stock of its subsidiary, The Susquehanna Power Company. Of this stock, 50,000 shares will be purchased for \$2,000,000 in cash and 500,000 shares will be acquired to liquidate \$20,000,000 of advances heretofore made to the subsidiary by Philadelphia Electric Power. According to the application, Philadelphia Electric Power will use the funds from the debenture sale to repay \$20,000,000 of bank loans incurred to construct additional units at the Conowingo Hydro-electric Project, of which the parent and subsidiary are co-licensees. Philadelphia Electric Power will use the balance of the proceeds to repay advances made by its parent, Philadelphia Electric Company, and to purchase the \$2,000,000 of Susquehanna stock. Susquehanna will use such proceeds for additions and improvements at the Project.

COLUMBIA GAS SEEKS ORDER. The Columbia Gas System, Inc., a registered holding company, and 15 of its wholly-owned subsidiaries have applied to the SEC for an order under the Holding Company Act authorizing the parent to acquire some \$62,650,000 of installment notes of the subsidiaries through March 1966; to purchase \$5,300,000 of additional common stock from three subsidiaries; and to make open-account advances aggregating \$80,000,000 during 1965 to five subsidiaries. The Commission has issued an order (Release 35-15210) giving interested persons until April 19 to request a hearing thereon. According to the application, the subsidiaries will apply the proceeds from the note and stock sales to their construction programs, estimated to aggregate \$114,000,000. The funds to be advanced to five subsidiaries will be used to finance their purchase of inventory gas during 1965.

COLUMBIA GAS SEEKS ORDER. The Columbia Gas System, Inc., 120 E. 41st St., New York, has applied to the SEC for an order under the Holding Company Act authorizing it to sell at competitive bidding \$40,000,000 of debentures, due 1990; and the Commission has issued an order (Release 35-15211) giving interested persons until April 20 to request a hearing thereon. As reported in the SEC News Digest of March 22, the net proceeds to the company from its debenture sale, together with funds to be generated from operations and obtained from additional financing later in 1965, will be applied primarily to the 1965 construction program of System companies, estimated at \$115,000,000.

LUDLOW APPLICATION WITHDRAWN. The SEC has issued an order under the Securities Exchange Act (Release 34-7563) granting a request of the Boston Stock Exchange to withdraw its application for unlisted trading privileges in the common stock of Ludlow Corporation.

A. M. BYERS CO. DELISTED. The SEC has issued an order under the Securities Exchange Act (Release 34-7563) granting an application of the New York Stock Exchange to strike from listing and registration the common stock of A. M. Byers Company, effective at the opening of business on March 30, 1965. According to the application, the company has outstanding approximately 230,000 shares of common stock (exclusive of the concentrated holdings of General Tire and Rubber Company), after giving effect to a 5-for-4 split in February 1965. The stock was admitted to the list of the American Stock Exchange on March 11, 1965.

RECENT FORM 8-K FILINGS. The companies listed below have filed Form 8-K reports for the month indicated and responding to the item of the Form specified. Photocopies thereof may be purchased from the Commission's Public Reference Section (please give News Digest's "Issue No." in ordering). Invoice will be included with the requested material when mailed. An index of the caption of the several items of the form was included in the March 1 News Digest.

Electro-Voice Inc Feb 65 (3)	1-4655-2	International Breweries Inc Feb 65 (3,12)	1-3905-2
Foster Grant Co Inc Feb 65 (11)	0-78-2	Automobile Banking Corp Apr 64 (4,7,8,13) Feb 65 (4,7,13)	2-2633-2 2-2633-2
House of Westmore Inc Feb 65 (2,9,13)	2-19208-2	Minnesota Mining & Mfg Co Feb 65 (12)	1-3285-2
New Orleans Terminal Co Feb 65 (11,13)	1-748-2	Carolina Tel & Tel Co Feb 65 (7)	1-4884-2
Valve Corp of America Feb 65 (2,7,11,13)	1-4576-2	Clark Gable Corp Mar 65 (2,13,14)	1-4425-2
World Color Press Inc June 64 (11)	2-18116-2	Cole National Corp Feb 65 (11,13)	0-178-2
Airlift International Inc Feb 65 (12,13)	2-12158-2	Greer Hydraulics Inc Feb 65 (9,12)	1-3706-2
American Greetings Corp Mar 65 (4,13)	2-9594-2	Larkview Drugs Inc Feb 65 (4,7,8)	0-9-2
Apache Corp Feb 65 (12)	1-4300-2	Talon Inc Mar 65 (11)	1-3637-2
Bowser Inc Feb 65 (8)	1-4867-2	Granby Mining Co Ltd Mar 65 (2)	1-702-2
Crown Aluminum Inds Corp Feb 65 (2,13)	1-4584-2	Princess Homes Inc Feb 65 (2,9)	2-22870-2
Metropolitan Edison Co Feb 65 (3)	1-446-2	American Hydrocarbon Corp June 64 thru Feb 65 (7,8,9,11,13)	2-11821-2
Abbott Laboratories Stock Retirement Plan, Feb 65 (12,13)	2-21360-2	Pacific Southwest Airlines Feb 65 (12)	2-20968-2
General Baking Co Feb 65 (13)	1-1066-2	Wilson & Co Inc Feb 65 (11)	1-2151-2
Keystone Custodian Funds Inc Feb 65 (9,11,13)	2-14887-2	Bayly Mfg Co Feb 65 (1,7,8)	2-23019-2
Koehring Co Feb 65 (4,7,11,12,13)	1-4906-2	Global Marine Inc Feb 65 (1,8)	2-22906-2
Vanadian-Alloys Steel Co Feb 65 (7)	1-1719-2	Continental Moss-Gordin Gin Co. Feb 65 (11)	2-5628-2
Varian Associates Feb 65 (3,11)	1-4213-2	Binks Mfg Co Feb 65 (7)	1-1416-2
Western Equities Inc Oct 64 (7,8,13)	1-4371-2	Fleming Co Inc Mar 65 (11)	2-4007-2
Frontier Airlines Inc Amend #1 to 8K for Dec 64 (1,4,7,12) Amend #1 to 8K for Jan 65 (1,12)	1-4877-2 1-4877-2	Lortogs Inc Oct 64 (2,13)	2-18565-2
Waldorf System Inc Amend #1 to 8K for Jan 64 (4,7)	1-587-2	N Y Air Brake Co Mar 65 (11)	1-1016-2
Perfect Photo Inc Amend #2 to 8K for Feb 65 (7)	1-4256-2		

ORAL ARGUMENT, COMING WEEK. March 31, 2:30 P.M. - Raleigh Securities Co.

NEW REGISTRATIONS OF O/C COMPANIES. American & Ebird Mills, Inc., Mount Holly, N.C. (File 0-79); Cabot Corp., Boston, Mass. (File 0-74); Central Transformer Corp., Pine Bluff, Ark. (File 0-83); Cincinnati Enquirer, Inc., Cincinnati, Ohio (File 0-81); Foster Grant Co., Inc., Leominster, Mass. (File 0-78); Jacobsen Mfg., Co., Racine, Wisc. (File 0-75); Lockhart Corp., Salt Lake City, Utah (File 0-76); North Carolina Natural Gas Corp., Fayetteville, N. C. (File 0-82); Seaway Food Town, Inc., Maumee, Ohio (File 0-80); Uniservices, Inc., Miami, Fla. (File 0-77).

SECURITIES ACT REGISTRATIONS. Effective March 25: Thrifty Drug Stores Co. Inc. (File 2-23230). Effective March 26: Interstate Bakeries Corp. (File 2-23245); Philadelphia Electric Power Co. (File 2-23162)

*As estimated for purposes of computing the registration fee.