

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

A brief summary of financial proposals filed with and actions by the S.E.C.

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SALESODOLOGY OFFERING PERMANENTLY SUSPENDED

The SEC today announced the issuance of a decision permanently suspending a Regulation A exemption from Securities Act registration with respect to a public offering of stock by Salesology, Inc., of Phoenix, Arizona. Release 33-4019).

In a notification filed on May 13, 1957, Salesology proposed the public offering of 2,500 non-voting common shares at \$10 per share pursuant to the conditional exemption from registration provided by Regulation A. On January 16, 1958, the Commission issued an order temporarily suspending such exemption by reason of non-compliance with the terms and conditions of Regulation A. Salesology petitioned for withdrawal of its notification and for a hearing on the question whether the suspension should be vacated or made permanent.

In ordering the permanent suspension of the exemption, the Commission ruled that Salesology's notification and accompanying offering circular were false and misleading. The notification stated that G. Bob Robbins, company president, was the owner of 324 shares of Class B common stock, whereas in fact he owned 506 of the outstanding 706 shares of this class, which was the only voting stock. His holdings gave him control of Salesology, and the notification should have named him as an affiliate. In addition, the offering circular states at one place that Robbins invested \$3,240 for 506 shares, but in another section it recites that Robbins transferred office equipment and an automobile worth \$3,240 for 324 shares and paid \$1,820 in cash for 182 shares. The statement of cash receipts shows \$1,000 received from Robbins and Salesology concedes that the statement that Robbins paid \$1,820 in cash for stock was incorrect. The Commission also held that a person named in Salesology's offering circular as secretary and director of the company resigned from those positions, but no amendment to reflect that fact was made to the offering circular.

Furthermore, the Commission ruled that Salesology and Robbins failed to cooperate with the Commission, that their actions "evidenced gross carelessness and irresponsibility," and that its request for withdrawal should be denied and the suspension made permanent.

SEC ORDER CITES FREEMAN SECURITIES

The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Freeman Securities, Inc., 150 Broadway, New York, N.Y., has violated the anti-fraud and other provisions of the Federal Securities Laws and, if so, whether its application for registration as a broker-dealer should be denied.

Freeman Securities filed its application for broker-dealer registration on December 22, 1958. It lists Sam Freeman as president, a director, and beneficial owner of 10% or more of the outstanding common stock of the company.

The Commission's order asserts that information developed in an investigation conducted by its Staff tends to show that, in connection with the offer and sale by Freeman and others

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during the period July 1, 1958, to date, of the Class A common stock of Universal Drilling Company, Inc., Freeman "employed devices, schemes and artifices to defraud, obtained money and property by means of untrue statements of material facts and omissions to state material facts ... and engaged in acts, practices and a course of business which would and did operate as a fraud and deceit upon certain persons, in that Freeman, directly and indirectly, and in concern with others and as a part of the scheme (1) arranged to have issued large blocks of said stock of Universal for debts and obligations, services, and cash considerations; (2) arranged for later public distribution of said security; (3) forwarded and caused to be forwarded blocks of said stock to foreign and other nominees to conceal the identity of the beneficial owners of said stock, their selling of said stock and their relationship to the issuer of said stock; (4) acted as nominee of said stock for such purpose; (5) and made false and misleading statements of material facts and omitted to state material facts concerning, among other things, listing of the stock on national securities exchanges, and the profitable operations, earnings and dividends of the company."

Moreover, according to the Commission's order, Freeman failed to comply with the prospectus requirements of the Securities Act of 1933 in the offer and sale of Universal stock; and Freeman Securities made false representations in its application for broker-dealer registration concerning the identity of persons who own 10% or more of its outstanding shares and in its financial statement concerning the amount of cash in banks.

A hearing for the purpose of taking evidence with respect to the foregoing will be held in the Commission's New York Regional Office on January 26, 1959.

(NOTE TO PRESS: Foregoing also available SEC New York Regional Office.)

CORMAC CHEMICAL FILES FINANCING PROPOSAL

Cormac Chemical Corporation, 80 Fifth Ave., New York, N. Y., filed a registration statement (File 2-14698) with the SEC on January 22, 1959, seeking registration of 108,667 Units of 108,667 shares of 1¢ par common stock and 108,667 Common Stock Purchase Warrants, each unit consisting of one common share and one warrant. Cormac Chemical proposes to offer the units for subscription by holders of the common stock of Cormac Photocopy Corporation at the rate of one such unit for every six shares of Cormac Photocopy common held. The record date for subscriptions is to be supplied by amendment; and the subscription price is to be \$2 per share. The offering is to be underwritten by Ross, Lyon & Co. Inc. In lieu of cash compensation, the underwriter will receive 60,000 warrants for the purchase of a like number of common shares within a five-year period at prices ranging from \$2 to \$6 per share. The underwriter has agreed to transfer 50% of these warrants to Sutro Bros. & Co. for financial advice and other services.

Certain stockholders of Cormac Photocopy who will receive an aggregate of 366,834 subscription rights intend to exercise their rights and sell, through the underwriter, 40,000 common shares so purchased by them at the prevailing over-the-counter market price at the time of such sales. For its services, the underwriter will receive from such persons one warrant for each share of stock sold.

Cormac Photocopy, which is engaged in the business of manufacturing and marketing Cormac Photocopiers and the distribution and sale of photocopy paper and other supplies, was responsible for the formation of Cormac Chemical, a newly-organized New York corporation. The latter will carry on the work begun in 1951 by Harry S. Keelan, a research chemist, of developing for commercial use and application a single-bath method of developing black and white film and photographic paper as contrasted to the existing conventional three-bath method. It intends to promote and market the process through the sale of the photo-chemical materials necessary for its use, under the trademark of Unibath. Past experimentation with such processes has indicated that the use of the chemicals employed would result in certain disadvantages preventing commercial acceptance thereof. The company, however, is said to believe that the Unibath process has overcome and eliminated these disadvantages in certain applications, although it has had no operating experience of its own and cannot predict its operating results until the experience is obtained. Commercial acceptance of Unibath, according to the prospectus, "is yet to be proven." Net proceeds of this stock offering will be used to finance the company's development and marketing program.

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The prospectus lists Botho Lilienthal of Greenwich, Conn., as president of the company. Cormac Photocopy is listed as the owner of 400,000 shares (93.02%) of its outstanding common stock. Cormac Photocopy initially acquired from Keelan an assignment of all rights to use his process and then transferred these rights, including patent applications, to Cormac Chemical, receiving back, however, an exclusive royalty-free right to use and sell the process in the photocopy field; and the company issued 430,000 common shares in consideration of such assignment, of which 30,000 shares were transferred by Cormac Photocopy to Keelan. Thus, public purchasers of the Cormac Chemical stock will pay \$217,334 for 20% of the then outstanding common stock; and Cormac Photocopy will own a 74.3% stock interest for which it will have made the above assignment and Keelan will own a 5.5% interest.

INDUSTRO TRANSISTOR HEARING POSTPONED

The SEC hearing in the stop order proceedings instituted against the registration statement filed by Industro Transistor Corporation, of Long Island City, New York, has been postponed at the request of company counsel for January 27 to February 17, 1959 (for details, see Release 33-4018).

DELISTMENT OF ALUMINUM INDUSTRIES STOCK REQUESTED

The American Stock Exchange has requested permission to delist the common stock of Aluminum Industries, Inc., and the SEC has issued an order (Release 34-5863) giving interested persons until February 6, 1959, to request a hearing thereon. According to the application, filed at the request of the issuer and Gera Corporation, about 91.5% of the 436,129 shares of Aluminum Industries common is owned by Gera Corporation, leaving approximately 37,000 shares in the hands of 269 public holders on December 12, 1958.

UNLISTED TRADING IN UNIVERSAL CONTROLS STOCK REQUESTED

The American Stock Exchange has applied for unlisted trading privileges in the common stock of Universal Controls, Inc., which is listed on the Detroit Stock Exchange; and the SEC has issued an order (Release 34-5863) giving interested persons until February 6, 1959, to request a hearing thereon.

UNLISTED TRADING IN TEMCO AIRCRAFT AND A & P STOCKS GRANTED

The SEC has issued orders (Release 34-5863) granting a request of the Philadelphia-Baltimore Stock Exchange for unlisted trading privileges in the common stock of Temco Aircraft Corporation, and a request of the Pittsburgh Stock Exchange for such privileges in the common stock of The Great Atlantic & Pacific Tea Company, Inc.

BARDEN CORP. FILES FOR RIGHTS OFFERING

The Barden Corporation, East Franklin St., Danbury, Conn., filed a registration statement (File 2-14699) with the SEC on January 22, 1959, seeking registration of 102,533 shares of Common Stock, to be offered for subscription by stockholders at the rate of one new share for each six shares held. The record date, subscription price and underwriting terms are to be supplied by amendment. Shearson, Hammill & Co. is listed as the principal underwriter.

Barden is engaged in the precision ball bearing business, its products being components of a great variety of sensitive instruments, devices and mechanisms. Of the net proceeds of the stock offering, \$300,000 will be applied to the reduction of \$2,300,000 of outstanding bank loan indebtedness. The remaining proceeds, approximately \$450,000 is to be applied to the construction of additions to the Park Avenue Plant in Danbury to be used for executive offices and production purposes and approximately \$500,000 to acquire manufacturing and laboratory equipment, some of which will replace a portion of the equipment leased to the company by the government. The balance of the net proceeds will be used for general corporate purposes.

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UNITED FUNDS SEEKS REGISTRATION OF ADDITIONAL SHARES

United Funds, Inc., Kansas City, Mo., investment company, has filed an amendment to its registration statement (File 2-11527) seeking registration of \$10,000,000 additional face amount of Periodic Investment Plans without insurance and the underlying shares of United Accumulative Fund, and \$2,500,000 face amount of Periodic Investment Plans with insurance and the underlying shares of United Accumulative Fund.

ADVANCE: Following for release in Monday A.M. Newspapers, January 26, 1959

Edward N. Gadsby, Chairman of the Securities and Exchange Commission, announced today that the Commission has submitted to the Congress recommendations for comprehensive amendment of the federal securities laws. These recommendations were introduced in the House of Representatives by Congressman Oren Harris, Chairman of the Interstate and Foreign Commerce Committee. The bills, H. R. 2480, H. R. 2481, H. R. 2482, H. R. 2483 and H. R. 2488, have been referred to that Committee for consideration. Chairman Gadsby expressed the hope that the bills will be the subject of early hearings.

The Commission's proposals are designed to strengthen the safeguards and protections now afforded the investing public in their securities transactions by tightening the jurisdictional provisions of the statutes, by correcting certain inadequacies which continued experience has disclosed, and by facilitating criminal prosecutions and other enforcement activities. The recommendations would amend an aggregate of 92 sections of the Securities Act of 1933, the Securities Exchange Act of 1934, the Trust Indenture Act of 1939, the Investment Company Act of 1940 and the Investment Advisers Act of 1940.

The proposals to amend the Securities Act of 1933 would (1) authorize the Commission to impose terms and conditions, where necessary in the public interest and for the protection of investors, with respect to certain transactions now exempt from the statute, including intrastate offerings and so-called private offerings; (2) clarify the jurisdictional basis of the civil liability provisions of the statute; (3) extend civil and criminal liability to documents filed with the Commission pursuant to Commission rules in connection with exempt offerings; (4) increase from \$300,000 to \$500,000 the size of offerings which may be exempted from registration under Section 3(b) of the statute; and (5) make it clear that a showing of past violations is a sufficient basis for injunctive relief and that aiders and abettors may be responsible in civil and administrative proceedings.

The proposed amendments to the Securities Exchange Act of 1934 would make comparable changes with respect to injunctive relief and liability of aiders and abettors. In addition, changes proposed in that statute would (1) make it a violation of this Act to embezzle monies or securities entrusted to the care of an exchange member or a registered broker or dealer; (2) clarify and strengthen the statutory provisions relating to manipulation and to the financial responsibility of brokers and dealers; (3) authorize the Commission by rule to regulate the borrowing, holding or lending of customers' securities by a broker or dealer; (4) make it clear that attempts to purchase or sell securities are covered by the anti-fraud provisions of the statute; (5) revise the provisions relating to broker and dealer registrations with respect to (a) the basis on which action for denial or revocation may be taken, (b) the sanctions which may be imposed by the Commission, (c) the conditions under which an application for registration may be withdrawn, and (d) the postponement of the effectiveness of an application for registration; (6) authorize the Commission to suspend or withdraw the registration of a securities exchange when the exchange has ceased to meet the requirements of its original registration; (7) clarify the Commission's authority to suspend a security from exchange trading where there has been a failure to comply with the Act and where otherwise necessary in the public interest; (8) prohibit trading in the over-the-counter market for limited periods where the public interest and the protection of investors so requires; (9) provide that an insolvent broker or dealer may be adjudicated a bankrupt in an injunctive proceeding instituted by the Commission; and (10) provide for a forfeiture of \$100 for each day that any report required under the Act is delinquent.

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The changes proposed in the Trust Indenture Act of 1939 are designed primarily to conform this statute to recommendations made under the Securities Act.

The proposed amendments to the Investment Company Act of 1940 would (1) require an investment company to state as matters of fundamental policy, which generally could not be changed without the consent of its stockholders, the extent to which it intends to invest in particular types of securities and such other basic investment objectives which it represents it will emphasize; (2) strengthen the provisions requiring that there be a minimum number of independent or non-management directors; (3) limit the extent to which a face-amount investment company can include preferred and common stock in its "qualified investments"; (4) make clear the application of the statute to an "advisory board"; and (5) clarify the stated exception available to companies subject to regulation by the Interstate Commerce Commission and the exceptions applicable to companies engaged in banking, insurance, small loan, factoring, discount or real estate businesses.

The proposed changes in the Investment Advisers Act of 1940 would (1) expand the basis for disqualification of a registrant because of prior misconduct; (2) authorize the Commission by rule to require the keeping of books and records and the filing of reports; (3) permit periodic examinations of a registrant's books and records; (4) empower the Commission by rule to define and prescribe means reasonably designed to prevent fraudulent practices; (5) extend criminal liability for a wilful violation of a rule or order of the Commission; and (6) revise the provisions relating to the postponement of effectiveness and the withdrawal of applications for registration.

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