SECURITIES AND EXCHANGE COMMISSION

NEWS DIGEST

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

(In ordering full text of Releases from Publications Unit, cite number)

Washington 25, D.C.

FOR RELEASE March 26, 1959

NASD DISCIPLINE OF FRANKLIN & CO. AFFIRMED

In a decision announced today (Release 34-5915), the SEC dismissed an appeal by Samuel B. Franklin & Company, of Los Angeles, from disciplinary action by the National Association of Securities Dealers, Inc., for conduct contrary to just and equitable principles of trade in violation of the NASD Rules of Fair Practice.

The NASD's District Business Conduct Committee of District No. 2 had found that, during the period January through May 1956, Franklin & Co. sold securities to and purchased securities from customers at prices that were not fair in view of all the relevant circumstances. For these violations it censured the company, imposed a $1,000 fine, and assessed it with costs of $773.80. Upon appeal to the NASD Board of Governors, the Committee's action was sustained, the Board also assessing the company an additional $153.29 for costs of the appeal. Thereupon, Franklin & Co. appealed the case to the Commission.

According to the Commission's decision, the basic facts are not in dispute. Out of 731 transactions in which Franklin & Co. as principal sold securities to customers during the period in question (not including sales of investment company shares and other securities sold in a public offering pursuant to a prospectus), 642 transactions involved mark-ups in excess of 5% while 89 transactions involved mark-ups of 5% or less. The company as principal purchased securities from customers in 428 transactions between February 1 and May 31, 1956, and in 159 of these transactions its mark-down exceeded 5%.

In 642 sales transactions in which the mark-ups exceeded 5%, the mark-ups were more than 10% in 549 instances, more than 15% in 402 cases, more than 20% in 260 transactions, and ranged from 30% to 62% in 99 cases. On its 159 purchases from customers, the mark-down in 68 transactions exceeded 10% (as related to prices charged in contemporaneous sales of the same securities), in 32 it exceeded 15%, in 20 it exceeded 20%, and in 6 cases it ranged from 30% to 37%.

The price range of the securities sold was less than 10¢ per share in 127 transactions, less than 50¢ in 477 transactions, and less than $1 in 499 transactions. Franklin & Co. had urged among other things, that the NASD policy against mark-ups in excess of 5% should not be applied to low price securities, where the dollar amount of the transactions is small, because of the expenses involved. While in a number of the transactions the gross dollar amount was less than $100, most fell in the $100 - $500 category. Thus, according to the Commission's decision, only 125 transactions amounted to less than $100; 498 were in the $100 - $500 category; and 108 involved more than $500 each. In 606 transactions involving $100 or more, the mark-ups were 30% or more in 55 cases, in excess of 20% in 184 cases, over 15% in 303 cases, and over 10% in 444 cases. The mark-ups in many cases were based on the company's cost on purchases of shares of the same stock on the same day as its sales; and in many other cases the purchases were within a few days of the sales and thus were without substantial risk.

The Commission concluded that Franklin & Co.'s mark-ups and mark-downs, at least in those transactions in which they were greater than 20%, clearly were excessive. No showing was made of any special circumstances, such as unusual expenses, extraordinary services rendered to customers, or acquisition of inventory at special concessions, to warrant the mark-ups charged. Accordingly, the Commission sustained the NASD ruling that Franklin & Co. sold and purchased securities at prices which were not fair under all the relevant circumstances and not reasonably related to current market prices and that such conduct was inconsistent with just and equitable principles of trade.

(Note to the Press: Foregoing also released in SEC Los Angeles Office)

OVER

OWENS & CO. BROKER-DEALER REGISTRATION REVOKED

In a decision announced today (Release 34-5916), the SEC revoked the broker-dealer registration of Owens & Co., 602 Guaranty Bank Building, Denver, for violation of the Commission's net capital rule. The revocation also was based upon a January 1958 federal court injunction against the company's continued conduct of a securities business in violation of the rule; and the Commission's order also expelled Owens & Co. from membership in the National Association of Securities Dealers, Inc.

Owens & Co. became registered with the Commission as a broker-dealer in October 1957. John Cuthbert Owens is president and controlling stockholder. At December 31, 1957, Owens & Co. had a deficiency of $3,301 in its net capital, and on January 15, 1958, the deficiency was $5,148. The court injunction was based upon an SEC complaint alleging violation of the Commission's net capital rule. The rule which is designed to safeguard the financial responsibility of brokers and dealers, provides that no broker or dealer shall permit his aggregate indebtedness to all persons to exceed 2,000% of his net capital.

Owens & Co. and Owens admit that the company violated the net capital rule and in fact was insolvent, but contend that as soon as Owens became aware of the insolvency he reported the situation to the Commission and ceased to do business. Owens further urged that he had a good record while working as a securities salesman prior to organizing his own company, that the violations were due to his lack of management experience and his unfamiliarity with Commission rules, and that no complaints had been made by customers, and that the company should be permitted to withdraw from registration.

The Commission concluded, however, that Owens & Co. had subjected its customers to undue financial risks by conducting its business while in violation of the rule; that, in fact, when it ceased to do business it was unable to deliver certain securities it had sold or to pay for certain securities it had purchased, and had open credit balances due customers; and that it was in the public interest to revoke the company's registration rather than grant its request for withdrawal from registration.

CROMWELL & CO. REGISTRATION REVOKED

In a decision announced today (Release 34-5917), the SEC revoked the broker-dealer registration of William Rex Cromwell, doing business as Cromwell & Co., 1404 Kirby Building, Dallas, for fraudulent transactions with customers and other violations of the Federal Securities Laws.

The Commission ruled that Cromwell had misappropriated customers' funds and securities, failed to consummate transactions promptly, failed to comply with the Commission's net capital rule, failed to make and keep current required books and records, failed to make his books and records available for Commission inspection, failed to file a report of his financial condition for 1957, and failed to correct information in his registration application regarding his business address, all in violation of the applicable provisions of the laws and SEC rules thereunder.

During the period June 1953 to May 1955, Cromwell sold securities for three customers for a total of $15,700 and failed to remit the proceeds to the customers for periods of from about two to five years, appropriating the proceeds to his own use in the interim. In the case of one of these customers, Cromwell sold securities for the customer for $14,628 in June 1953. In July 1955 he remitted $2,000 to the customer but refused to deliver the balance of the proceeds or the securities he was to have purchased; in May 1958 he paid the customer an additional $9,000 and in July 1958 he remitted the balance due.

Cromwell also misappropriated funds received for the purchase of securities. In December 1954 he received $574 from a customer for the purchase of securities but failed to effect the purchase and did not make restitution of the money received until almost four years later. In April 1957, Cromwell sold certain shares to a customer for $8,250 and received payment from th customer, but although he had purchased a like number of such shares from a dealer on the same day, he first used such shares as collateral for a personal loan, then delivered them to another customer, and did not deliver such shares to the first customer until October 1958, by which time their market value had decreased to $4,375.

This course of conduct, the Commission ruled, "operated as a fraud upon customers" in

CONTINUED

violation of the Federal Securities Laws. With respect to violations of the Commission's net capital rule, the Commission found that on four occasions during the period October 1956 to May 1958, Cromwell had a net capital deficiency in amounts ranging from $17,880 to $36,357. This rule is designed to safeguard the financial responsibility of brokers and dealers. Furthermore, the Commission held that by his failure on five occasions to permit an inspection of his books by a staff investigator, there was a "deliberate disregard" by Cromwell of requirements of the law that his books and records be available for reasonable inspection by the Commission. As indicated, Cromwell also violated other provisions of the securities laws and Commission rules thereunder.

UNITED IMPROVEMENT FILES FOR EXCHANGE AND CASH OFFERING

United Improvement & Investing Corp., 25 West 43d St., New York, filed a registration statement (File 2-14872) with the SEC on March 25, 1959, seeking registration of 1,238,994 shares of its $2.60 par common stock.

United proposes to offer 809,195 shares in exchange for outstanding stock of Lawyers Mortgage and Title Company ("Lawyers") (on the basis of one share of United for each four shares of Lawyers before its recent one-for-ten reverse split, or 2½ shares of United for each share of Lawyers after such split). Lawyers' stockholders may round out their allocation to the next full share by purchasing not more than 3/4 of a share at $1.25 for each 1/4 share needed. In addition, a stockholder who accepts United's offer will have privileges to subscribe to 202,299 additional shares at $5 per share, on a one-for-four basis.

United also proposes to offer 187,500 common shares for all the outstanding common stocks of Margate Homes, Inc., Broward Engineering Co., and Margate Construction Co., certain outstanding debt obligations of Margate Homes, Inc., and $62,500 in cash.

The offering of the 242,299 shares for cash sale (including 40,000 shares reserved for issuance, if required, for rounding out fractional interests, and to the underwriter), will be underwritten by Allen & Company. Allen & Company will take up and pay for, at $5 per share, all of the 202,299 shares offered for cash not subscribed for by stockholders of Lawyers. It will receive no underwriting commission, but may demand that United deliver to it a number of shares of United common which, together with all shares taken up by Allen & Company, will bring the total number of shares purchased by Allen & Company to 25,000.

United was organized on December 23, 1958, by a group of substantial stockholders of Lawyers, as a vehicle for carrying out a plan to make available to stockholders of Lawyers business opportunities which Lawyers itself, as an insurance company, cannot take advantage. Under the plan, and through this offering of stock, United will acquire control of and become the parent of Lawyers. In addition, United will acquire the stocks of Margate Homes, Broward Engineering, and Margate Construction, and certain debt obligations of Margate Homes, and will raise cash for working capital purposes. Lawyers has been engaged in the mortgage origination and servicing business since 1933, and in the title insurance business since 1949. Margate Homes, Broward Engineering and Margate Construction are Florida companies organized to serve various functions in the development of the Town of Margate, Broward County, Florida, by various business entities, in a substantial number, but not all, of which Messrs. Jack Marqusee, Charles Marqusee or both have substantial financial interests (and may be deemed "promoters").

Net cash proceeds of the sale of United stock, after repayment of loans totaling $25,000 from Jerome F. Katz, board chairman, will be added to general funds. It is now contemplated that United's activities in the immediate future will center on mortgage origination and that some $500,000 of such net proceeds will constitute its working capital fund for the conduct of that business. The remainder of the net proceeds is expected to be used to supply funds to the three Florida companies to enable Margate Homes to exercise options and to build homes against anticipated sales, to place Broward Engineering and Margate Construction in a position to pay off $71,000 of demand loans from Margate Development Corp., and to finance expected increases in their volume of home construction work.

AMERICAN INDEPENDENT REINSURANCE PROPOSES RIGHTS OFFERING

American Independent Reinsurance Company, 307 S. Orange Ave., Orlando, Fla., filed a registration statement (File 2-14873) with the SEC on March 25, 1959, seeking registration of

514,500 shares of common stock. It is proposed to offer the stock for subscription by holders of outstanding common at the rate of 1.4 new shares for each one share held. The record date, subscription price and underwriting terms are to be supplied by amendment. Francis I. duPont & Co. and Goodbody & Co. are listed as the principal underwriters.

The company is engaged in the business of reinsuring medium-sized and small multiple line insurance companies writing fire and allied lines and all forms of casualty insurance. It was organized in 1954 by a group of 12 persons headed by Walter L. Hays, president and now has about 900 stockholders. The net proceeds of the stock sale, estimated at $2,000,000, will be used to increase the capital and surplus of the company and thereby furnish the company with additional funds to enable it to expand its business.

GULF POWER BOND OFFERING CLEARED

The SEC has issued an order under the Holding Company Act (Release 35-13960) authorizing Gulf Power Company, Pensacola, Fla., to issue and sell at competitive bidding $7,000,000 of First Mortgage Bonds, series due 1989. Net proceeds of the sale of the bonds will be applied toward the company's construction program and to the payment of bank loans incurred for such purpose. Gulf Power also was authorized to issue $358,000 of bonds for sinking fund purposes.

COLUMBIA GAS STOCK OFFERING CLEARED

The SEC has issued an order under the Holding Company Act (Release 35-13961) authorizing The Columbia Gas System, Inc., New York holding company, to offer for subscription by its stockholders an additional 1,799,057 shares of its $10 par common stock, on the basis of one new share for each 15 shares held of record on April 1, 1959. The offering is to be underwritten through competitive bidding. Sale of the stock is the first step in financing Columbia's 1959 construction program, which will involve total expenditures of about $95,000,000.

BLUE RIDGE MUTUAL FILES FOR ADDITIONAL SHARES

Blue Ridge Mutual Fund, Inc., New York investment company, filed an amendment on March 25, 1959 to its registration statement (File 2-10823) seeking registration of an additional 500,000 common shares.

EQUITY FUND SEEKS REGISTRATION OF SHARES

Equity Fund, Incorporated, Seattle investment company, filed a registration statement (File 2-14874) with the SEC on March 25, 1959, seeking registration of 300,000 shares of its common stock.

SUPER-SOL PROPOSES STOCK OFFERING

Super-Sol Limited, 79 Ben-Yehuda St., Tel Aviv, Israel, filed a registration statement (File 2-14875) with the SEC on March 25, 1959, seeking registration of 250,000 Common Shares (Par Value IL. 19.800 per share - $11). The shares are to be offered for public sale at par, payable in State of Israel Independence Issue and Development Issue Bonds issued before January 1, 1957, at the official rate of exchange of IL. 1.8 to $1, being $11 per share, up to 90%, and the balance in cash, at $11 per share, U. S. Funds. The offering is to be made on an agency basis by American-Israel Basic Economy Company, of New York, for which it will receive a selling commission of 33¢ per share.

Super-Sol was organized under the laws of Israel in January 1957 to operate a chain of supermarkets in Israel. The promoters were Alan M. Feinberg, Herbert Y. Hordes, Bertram I. Loeb and Nathan W. Lurie. Loeb is president and Lurie board chairman. The company's first store was opened in Tel Aviv on August 28, 1958, with an investment of $165,000 by various directors of the company. A total of 15,000 common shares have been and will be issued to the directors who invested this sum, being at the same price at which the shares are now slated for public offering; and, in addition, 13,327 shares have been subscribed by directors and members of their families and friends at the same price.

The company hopes to have seven additional supermarkets in operation by the end of 1960. The cost of opening these facilities is estimated at about $2,572,000. Proceeds of the proposed

CONTINUED

s[illegible] offering, estimated at $2,597,475, will be used to facilitate a part of the planned expansion d[illegible]s operations.

PUBLIC SERVICE OF COLORADO PROPOSES BOND OFFERING

Public Service Company of Colorado, 900 Fifteenth St., Denver, today filed a registration statement (File 2-14786) with the SEC seeking registration of $20,000,000 of First Mortgage Bonds, Series due 1989, to be offered for public sale at competitive bidding.

Net proceeds of the bond sale will be added to he general funds of the company and applied toward its construction program. The company estimates its construction expenditures at $106,000,000 for the three years 1959-61.

TEXAS EASTERN TRANSMISSION PROPOSES BOND OFFERING

Texas Eastern Transmission Corporation, Memorial Professional Building, Houston, Texas, today filed a registration statement (File 2-14877) with the SEC seeking registration of $45,000,000 of First Mortgage Pipe Line Bonds, Series due 1979, to be offered for public sale through an underwriting group headed by Dillon, Read & Co., Inc. The interest rate, public offering price, and underwriting terms are to be supplied by amendment.

Net proceeds to the company from the sale of the new bonds will be used in connection with its construction program. This program involves expenditures estimated at $63,000,000 in 1959. In addition, under the terms of a Lease Purchase Agreement covering gas reserves in Rayne Field, Acadia Parish, La., approximately $12,500,000 will be required in 1959.

SEC RULES ON UNION ELECTRIC PROXY FILING

In a decision under the Holding Company Act announced today (Release 35-13962), the SEC authorized Union Electric Company to omit from its current proxy soliciting material all but one resolution which it had been requested to submit to stockholders by J. Raymond Dyer and his daughter, stockholders.

This proposal of Dyer calls for action by Union's board of directors to amend the articles of incorporation to restore preemptive rights. The company had expressed a willingness to include this proposal. The Commission, however, directed that the management should delete or clarify certain language contained in its remarks in opposition to this proposal.

A second Dyer proposal would censure all of the present members of Union's board of directors, who are also management nominees for re-election at the 1959 meeting, and declare all of them disqualified for re-election to office. The Commission found that this proposal would constitute an attempt by Dyer to dissuade stockholders from voting in favor of the management's nominees and therefore did not come within the proxy rule which requires management to include in its proxy material a proposal submitted by a stockholder. That rule specifically does not apply to elections to office, solicitations for which are covered by other rules not complied with by Dyer.

The Commission also found that the omission from the company's material of the other nine proposals submitted by Dyer, was in accord with the proxy rules. Three of these would require (1) approval by the directors of lobbying expenditures, (2) creation of a stockholder relations office, and (3) reduction of the vote necessary to amend the by-laws. The company had omitted these proposals on the ground that they were included in the 1957 and 1958 management proxy statements, and that they received less than the minimum vote which under the proxy rules would qualify them for resubmission through management's proxy material.

Another Dyer proposal which Union omitted related to the procedure for voting by proxy. The Commission concluded that the proposal as presented by Dyer would have the effect of restricting the right of an individual to give his agent an unsolicited discretionary proxy to vote on all m[illegible]s presented at the meeting, in contravention of the Missouri statute, and that the company's omission of this proposal on the ground that it was not a proper subject for action at the meeting was proper.

OVER

A further proposal of Dyer is in the form of a proposed amendment to the articles of corporation giving preemptive rights to Union's stockholders and increasing the company's authorized common stock. The Commission found that the company's omission of this proposal on the ground that the applicable Missouri statute provides that charter amendments may be submitted to stockholders only by the board of directors was in accord with the proxy rules.

Union also omitted four proposals submitted by Dyer which are substantially similar to proposals he had submitted in past years and which the Commission previously found omissible. One proposal would permit a minor stockholder to vote by proxy, which according to company counsel is contrary to state law. The second would require the company to accord to the parent or guardian of a minor stockholder rights incident to the ownership of stock, and counsel urged that such rights may not in all instances legally be exercisable by the parent or guardian. The Commission concluded that Dyer had presented nothing which would persuade it that counsel's opinion on these matters is not correct.

The remaining two proposals would prohibit false advertising and false communications with stockholders by the company. Union's counsel states, as in prior years, that false advertising and communications are not lawful and that the officers and directors have no authority to expend corporate funds for such purposes. The Commission previously had ruled that similar proposals by Dyer might be omitted by the company and it concluded that nothing in the present record justifies a different finding with respect to the present proposals.

---oooOooo---