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 April 24, 1959

SECURITIES VIOLATIONS CHARGED TO MANAGED FUNDS

The Securities and Exchange Commission has instituted proceedings under the Securities Act of 1933 challenging the accuracy and adequacy of disclosures contained in a registration statement filed by Managed Funds, Inc., a St. Louis investment company, and scheduling a hearing for May 6, 1959, on the question whether a stop order should be issued suspending its effectiveness. The registration statement was filed August 2, 1954. From time to time since that date amendments have been filed increasing the number of shares registered for public sale and to provide a current prospectus, the most recent such amendment having been filed August 25, 1958, and declared effective August 29, 1958.

At the same time, the Commission served written notice on Managed Funds pursuant to provisions of the Investment Company Act of 1940 that various of its annual and other reports under that Act appear to be false and misleading; that the company may file corrected reports on or before May 29, 1959; and that following any such filing or failure so to file, the Commission may, after notice and opportunity for hearing, suspend or revoke the registration of Managed Funds as an investment company.

In announcing these proceedings, the Commission called attention to the fact that Managed Funds has a portfolio of securities having an aggregate market value of approximately $75 million, and that its actions should not be construed in any manner as questioning the ability of Managed Funds to meet the contract terms of its outstanding shares.

One of the principal issues raised in the stop order proceedings relates to the adequacy and accuracy of the stated investment policy of Managed Funds, the principal objective of which is said to be "to provide for capital growth in all classes," with emphasis upon "capital growth rather than income" and with resulting normal turnover in the securities held. The statement of investment policy is challenged by the Commission in view (among other things) of the Fund's large turnover of portfolio securities and its apparent policy and design to provide and distribute quarterly gains on sales of portfolio securities.

Another primary issue relates to representations in the Managed Funds prospectus that research, statistical and investment advisory services are rendered to the Fund by Slayton Associates, Inc., under a contract dated August 15, 1952. The accuracy of these representations is questioned by the Commission in view particularly of the undisclosed delegation of certain of these functions by Slayton Associates to Stephen M. Jaquith and the nature and extent of the services actually rendered by Jaquith for the Fund, as well as the payment to Jaquith and others of brokerage commissions on transactions in Managed Funds portfolio securities, as outlined below.

In the notice under the Investment Company Act, false and misleading representations in various reports filed by Managed Funds under that Act are charged, including the omission to state that Jaquith had become the investment adviser for Managed Funds in December 1953 under provisions of a contract dated December 1, 1953, between Slayton Associates, Inc., the then investment adviser for the Fund, and Jaquith, then an employee of Model, Roland and Stone. According to the notice, this contract required Jaquith, under the general direction and approval of Slayton Associates, to use his best judgment in the selection, purchase and sale of securities under the general policy of Slayton Associates as it may be determined from time to time; and Slayton Associates in payment for the services to be rendered, agreed to direct brokerage business to Jaquith or to such persons or firms as he might designate.

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It further appears, according to the Commission's notice, that despite the obligation of Slayton Associates to render advisory services to Managed Funds under and pursuant to a contract dated August 15, 1952, ". . . said obligation and responsibility of Slayton Associates Inc., to Managed Funds, Inc. and its stockholders had been abdicated and delegated to Stephen M. Jaquith." It is also asserted by the Commission that Managed Funds' annual report for the year ended November 30, 1958, failed to disclose that Slayton Associates did not perform the services it had agreed to perform and for which it had received payment of $278,488; that Slayton Associates had directed brokerage commissions to Jaquith aggregating at least $635,775 in respect of portfolio securities purchased and sold for Managed Funds that year; that Jaquith designated Model, Roland and Stone to effect said purchases and sales and to receive the $635,775 of brokerage commissions; and that Jaquith received as compensation for said designation credit from Model, Roland and Stone in the gross amount of 50% of the commissions.

It further appears that, at the direction of Hilton H. Slayton, Jaquith caused $215,231 gross commissions to be credited to James S. Stubbs and $63,392 to Harold W. Smith. Hilton H. Slayton is president of Managed Funds and vice president and 51% stockholder of Slayton Associates; Smith is the husband of a sister of Hovey E. Slayton, vice president of Managed Funds and president of Slayton Associates; and Stubbs is a former business associate of Hilton H. Slayton and a former director of Managed Funds. These payments were not disclosed in the report.

Similar non-disclosures are charged with respect to earlier reports, including payments to Slayton Associates and to Model, Roland and Stone for prior years, as follows: 1957 - $253,821 and $254,525, respectively; 1956 - $229,096 and $402,474, respectively; 1955 - $179,019 and $268,872, respectively; and 1954 - $125,943 and $134,977, respectively. In each of the years, Jaquith received 50% of the commissions payable to Model, Roland and Stone; and at the direction of Hilton H. Slayton, Jaquith caused commissions to be credited in 1957 to Smith in the amount of $49,985 and to Stubbs in the amount of $67,520; in 1956, $47,266 to Smith and $144,813 to Stubbs; 1955, $60,263 to Smith and $11,399 to Stubbs; and 1954, $6,769 to Smith.

Moreover, according to the notice, the report failed to disclose that the said contract between Jaquith and Slayton Associates was illegal and void under provisions of the Investment Company Act and that all or part of the compensation paid thereunder might be recoverable by Managed Funds.

JACOBS HEARING POSTPONED

At the request of Joseph S. Radom, counsel to Arthur B. Pfleiderer and Harry Garland, co-trustees of F. L. Jacobs Co., debtor in reorganization proceedings pursuant to Chapter X of the Bankruptcy Act pending in the U. S. District Court in Detroit, the SEC has authorized a further postponement, from April 27 to June 1, 1959, of the hearing in proceedings under the Securities Exchange Act of 1934 to determine whether Jacobs Co. Class A and Class B common stock should be withdrawn from listing and registration because of the company's failure to file proper annual and other reports with the Commission and the New York Stock Exchange. The postponement was requested by counsel in order that the independent accountants may complete their audit of the company's books and records and so that counsel could properly prepare for the hearing.

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CORRECTION: The hearing on the Middle South Utilities, Inc., stock option plan referred to in the News Digest of April 22, 1959, has been postponed to June 16, 1959, not June 10, 1959.

SEC ADVISORY REPORT FILED ON SELECTED INVESTMENTS REORGANIZATION

The SEC today filed an advisory report (Release CR-118) with the U. S. District Court in Oklahoma City upon the proposed plan for reorganization of Selected Investments Corporation and Selected Investments Trust Fund, debtors in reorganization pursuant to Chapter X of the Bankruptcy Act. In its report, the Commission concluded that the plan was feasible and that it could be made fair and equitable if modified in certain respects.

The debtor companies, directly and through subsidiaries, are engaged primarily in the finance business in Oklahoma; and they also own or control many other businesses and properties. The plan was proposed by the Wirt Franklin Investors Committee representing the holders of $16,000,0[illegible] of trust certificates issued by the Trust Fund. There are over $39,000,000 trust certificates

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outstanding on which no interest has been paid since the reorganization proceedings commenced in March 1958. Under the plan, the reorganized company would extend its operations in the finance business and divest itself of other holdings. For reorganization purposes, the estate is valued at $27,500,000. The plan accords no participation to present common stockholders since the corporation was found to be insolvent by the Court.

The plan proposes that new debentures and common stock be issued to holders of trust certificates. Such holders would receive up to 16,500,000 shares of new $1 par common stock and up to $11,000,000 of new 6% subordinated debentures. Holders would be allowed to receive cash in lieu of new securities; but if requests for cash exceeded $14,000,000 in amount, the plan is to terminate. After the initial issuance of such securities the new management group is to receive an option at par value on 7½% of the number of shares issued to certificate holders; and the plan also provides for an option to unnamed employees on 2½% of the number of shares issued.

Amendments to the plan suggested by the Commission to make it fair and equitable to public security holders are the following: (1) Changing the formula for determining the amount of cash to pay to the certificate holders who withdraw; (2) eliminating the option provisions or in the alternative, changing their terms; (3) altering the method of election of the members of the Board of Directors by providing for cumulative voting; (4) altering the length of terms to be served by the members of the Board of Directors; (5) increasing the face amount of the debentures and the par value of the common stock and reducing the number of debentures and shares of stock to be issued and providing for the issuance of scrip for fractional interests; (6) providing for a premium upon call of the debentures before maturity or serial redemption; (7) providing for preemptive rights for the common stock; and (8) providing for pro-rata cash withdrawals if requests for more than $14,000,000 of withdrawals are made.

COMMERCIAL CREDIT FILES STOCK OPTION PLAN

Commercial Credit Company, Baltimore, Md., filed a registration statement (File 2-15025) with the SEC on April 23, 1959, seeking registration of 118,100 shares of common stock, issuable upon exercise of options to purchase common stock issued or to be issued to certain officers and key employees of the company and its subsidiaries under the company's Employees' Restricted Stock Option Plan.

GENERAL AMERICAN OIL PROPOSES DEBENTURE OFFERING

General American Oil Company of Texas, Meadows Bldg., Dallas, filed a registration statement (File 2-15026) with the SEC on April 23, 1959, seeking registration of $15,000,000 of Subordinated Debentures, due May 1, 1984 (convertible), to be offered for public sale through an underwriting group headed by Blyth & Co., Inc. The interest rate, public offering price and underwriting terms are to be supplied by amendment.

The company is principally engaged in the production and sale of crude oil and natural gas; in the acquisition of proved or prospective oil and gas properties; and in the exploration, drilling and development of oil and gas properties. Net proceeds of the sale of the debentures will be added to the company's general funds and, as such, will be available for any corporate purpose. It is expected that some $2,500,000 will be applied to the repayment of bank loans incurred to acquire prospective oil and gas properties; and the balance will further increase net working capital which has been reduced as a result of expenditures made for property acquisitions and for exploration and development activities.

POTOMAC ELECTRIC POWER PROPOSES RIGHTS OFFERING

Potomac Electric Power Company, Washington, D. C., filed a registration statement (File 2-15027) with the SEC on April 23, 1959, seeking registration of 1,182,077 shares of common stock. The company proposes to offer this stock for subscription by common stockholders of record May 12, 1959, at the rate of one new share for each five shares then held. Unsubscribed shares will first be offered for sale to employees, and then to the public through an underwriting group headed by Dillon, Read & Co. Inc., and Johnston, Lemon & Co. The subscription price and underwriting terms are to be supplied by amendment.

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Net proceeds of the stock sale will be used to pay $6,425,000 of outstanding bank loan notes, representing borrowings for working capital and other corporate purposes, to reimburse the company's treasury for a portion of the construction expenditures heretofore made, and to provide for a portion of its construction program. The company estimates that its gross property additions for the years 1959 and 1960 will aggregate some $89,000,000.

RULE PROPOSED ON NOTICE OF STOCK OFFERINGS

The SEC has proposed an amendment to its Rule 135 under the Securities Act of 1933 relating to public notice of proposed stock offerings (Release 33-4072); and it has invited the submission of views and comments thereon not later than May 25, 1959.

Rule 135 provides that a notice or other communication sent by an issuer to security holders to inform them of the proposed issuance of rights to subscribe to additional securities shall not be deemed to offer any security for sale if the communication is transmitted within 60 days prior to the record date, states that the offering will be made only by the prospectus and in addition contains only certain specified information necessary to inform the security holders of the forthcoming offering.

The proposed amendment would expand the rule to authorize the sending of similar notices where an issuer proposes to offer securities to its own security holders or to the security holders of another issuer in exchange for securities presently held by them, or proposes to make an offering of securities to its employees or to the employees of an affiliate.

Under the proposed amendment to the rule, such notices issued by an issuer would not be construed to be an offer of a security for sale subject to the registration requirements of Section 5 of the Securities Act.

DELISTING OF AMERICAN HAWAIIAN STEAMSHIP STOCK PROPOSED

The SEC has issued an order giving interested persons until May 8, 1959, to request a hearing upon an application of the New York Stock Exchange to delist the capital stock of American Hawaiian Steamship Company, due to the limited distribution of the stock consequent upon a recent company offer to acquire the shares at $105 per share (Release 34-5943).

UNLISTED TRADING IN COLUMBIA BROADCASTING SOUGHT

The Boston and the Philadelphia-Baltimore Stock Exchanges have applied to the SEC for unlisted trading privileges in the common stock of Columbia Broadcasting Company, Inc.; and the SEC has issued orders giving interested persons until May 5 and 8, 1959, respectively, to request a hearing thereon (Release 34-5943).

UNLISTED TRADING GRANTED PHILADELPHIA-BALTIMORE EXCHANGE

The SEC has granted applications of the Philadelphia-Baltimore Stock Exchange for unlisted trading privileges in the common stocks of Ampex Corporation and Johnson & Johnson (Release 34-5943).

INVESTMENT FUNDS SEEK REGISTRATION OF ADDITIONAL SHARES

Investors Stock Fund, Inc., Minneapolis, filed an amendment on April 23, 1959, to its registration statement (File 2-11358) seeking registration of 10,000,000 additional shares of capital stock.

United Funds, Inc., Kansas City, filed an amendment on April 23, 1959, to its registration statement (File 2-11527) seeking registration of 3,000,000 additional United Income Fund shares, 2,000,000 United Science Fund shares, and 1,000,000 Continental Fund shares.

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The Securities and Exchange Commission has instituted proceedings under the Securities Act of 1933 challenging the accuracy and adequacy of disclosures contained in a registration statement filed ~~[illegible]~~ by Managed Funds Inc., a St. Louis investment company, and scheduling a hearing for ____________ on the question whether a stop order should be issued suspending its effectiveness.

At the same time, the Commission served written notice on Managed Funds pursuant to provisions of the Investment Company Act of 1940 that various of its annual and other reports under that Act ~~are~~ appear to be false and misleading; that the company may file corrected reports on or before May 29, 1959; and that following any such filing or failure so to file, the Commission may, after notice and opportunity for hearing, suspend or revoke the registration of Managed Funds as an investment company.

In announcing these proceedings, the Commission called attention to the fact that Managed Funds has a portfolio of securities having an aggregate market value of approximately $75 million, and that its actions should not be construed in any manner as ~~reflecting on~~ questioning the ability of Managed Funds to meet the contract terms of its outstanding shares.

One of the principal issues raised in the stop order proceedings relates to the adequacy and accuracy of the stated investment policy of Managed Funds, the principal objective of which is said to be "to provide for capital growth in all classes," with emphasis upon "capital growth rather than income" and with resulting normal turnover in the securities held. This statement of investment policy is challenged by the Commission in view of, among other things, the Fund's ~~large~~ turnover of portfolio securities and its apparent policy and design to provide and distribute quarterly gains on sales of portfolio securities.

(NOTE: The highest turnover in 1958 exceeded 95%, as compared with an estimated average turn-over of other mutual fund companies of less than 20%.)

which ~~was undisclosed, and~~ undisclosed

Another primary issue relates to representations in the Managed Funds prospectus that research, statistical and investment advisory services are rendered to the Fund by Slayton Associates, Inc., under a contract dated August 15, 1952. the accuracy of ~~These~~ representations is in issue ~~are challenged by the Commission~~ in view particularly of the delegation of certain of these functions by Slayton Associates to Stephen M. Jaquith and the nature and extent of the services actually rendered by Jaquith for the Fund, the designation by Jaquith of Model, Roland and Stone as the broker through whom portfolio securities would be purchased and sold for the Fund, and the as well as the brokerage commissions paid under this arrangement as outlined below. commissions received by that firm on such transactions and Jaquith's participation in such commissions.

~~It further appears, according to the Commission's notice, that despite the obligation of Sla,~~

In the notice ~~of proceedings~~ under the Investment Company Act, false and misleading representations in various reports filed by Managed Funds under that Act are charged, including the omission to state that Jaquith had become the investment adviser for Managed Funds in December 1953 under provisions of a contract dated December 1, 1953, between Slayton Associates, Inc., the then investment adviser for the Fund, and Jaquith, then an employee of Model, Roland and Stone. According to the notice, this contract required Jaquith, under the general direction and approval of Slayton Associates, to use his best judgment in the selection, purchase and sale of securities under the general policy of Slayton Associates as it may be determined from time to time;

and Slayton Associates in payment for the services to be rendered, agreed to direct brokerage business to Jaquith or to such persons or firms as he might designate.

It further appears, according to the Commission's notice, that despite the obligation of Slayton Associates to render advisory services to Managed Funds under and pursuant to a contract dated August 15, 1952, ". . . said obligation and responsibility of Slayton Associates Inc., to Managed Funds, Inc. and its stockholders had been abdicated and delegated to Stephen M. Jaquith." It is also asserted by the Commission that Managed Funds' annual report for the year ended November 30, 1958, failed to disclose that Slayton Associates did not perform the services it had agreed to perform and for which it had received payment of $278,488; that Slayton Associates had directed brokerage commissions to Jaquith aggregating at least $635,775 in respect of portfolio securities purchased and sold for Managed Funds that year; that Jaquith designated Model, Roland and Stone to effect said purchases and sales and to receive the $635,775 of brokerage commissions; and that Jaquith received as compensation for said designation credit from Model, Roland and Stone in the gross amount of 50% of the commissions.

It further appears that, at the direction of Hilton H. Slayton, Jaquith caused $215,231 gross commissions to be credited to James S. Stubbs and $63,392 to Harold W. Smith. Hilton H.

under provisions of the Investment Company Act

Slayton is president of Managed Funds and vice president and 51% stockholder of Slayton Associates; Smith is the husband of a sister of Hovey E. Slayton, vice president of Managed Funds and president of Slayton Associates; and Stubbs is a former business associate of Hilton H. Slayton and a former director of Managed Funds. These payments were not disclosed in the report. Moreover, according to the notice, the report failed to disclose that the said contract between Jaquith and Slayton Associates was illegal and void and that all or part of the compensation paid thereunder might be recoverable by Managed Funds.

Similar non-disclosures are charged with respect to earlier reports, including payments to Slayton Associates and to Model, Roland and Stone for prior years, as follows: 1957 - $253,821 and $254,525, respectively; 1956 - $229,096 and $402,474, respectively; 1955 - $179,019 and $268,872, respectively; and 1954 - $125,943 and $134,977, respectively. In each of the years, Jaquith received 50% of the commissions payable to Model, Roland and Stone; and at the direction of Hilton H. Slayton, Jaquith caused commissions to be credited in 1957 to Smith in the amount of $49,985 and to Stubbs in the amount of $67,520; in 1956, $47,266 to Smith and $144,813 to Stubbs; 1955, $60,263 to Smith and $11,399 to Stubbs; and 1954, $6,769 to Smith.

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VIA REGISTERED MAIL

Managed Funds Inc.
408 Olive Street
St. Louis 2, Missouri

Re: Managed Funds Inc.
File No. 811-520

Gentlemen:

Pursuant to the provisions of Section 8(e) of the Investment Company Act of 1940 you are hereby notified that it appears to this Commission that Managed Funds Inc., since December 1, 1953, has filed reports required by Sections 30(a) and 30(b) of such Act and has omitted from certain of said reports material facts required to be stated therein, and has filed certain of said reports in violation of Section 34(b) of said Act in that certain of those reports contain untrue statements of material facts and omit to state therein facts necessary in order to prevent the statements made therein, in the light of the circumstances under which they were made, from being materially misleading.

The respects in which such reports appear to be materially incomplete or misleading and to contain untrue statements of material facts are as follows:

(1) The Quarterly Report filed by Managed Funds Inc. on March 22, 1954, on Form N-30B-1, as required by Section 30(b) of the Act and the rule thereunder then in effect, omitted to state that Stephen H. Jaquith, on December 1, 1953, had become an investment adviser of Managed Funds Inc. by reason of a contract dated December 1, 1953, entered into between Slayton Associates Inc., the then investment adviser for Managed Funds Inc. and Stephen H. Jaquith, then an employee of Model, Roland & Stone, a member firm of the New York Stock Exchange; that said contract required Jaquith, under the general direction and approval of Slayton Associates Inc. to use his best judgment in the selection, purchase and sale of securities under the general policy of Slayton Associates Inc. as it may be determined from time to time; and that Slayton Associates Inc., in payment for the services to be rendered, agreed to direct brokerage commission business to Stephen H. Jaquith or to such persons or firms as he might designate, for a five-year period in a total minimum amount of $250,000, at $50,000 per year minimum, and for a second five-year period, in a total minimum amount of $125,000, at $25,000 per year minimum.

(2) Said Form N-30B-1 filed on March 22, 1954, omitted to disclose that Slayton Associates Inc., by reason of a contract entered into with Managed Funds Inc. on August 15, 1952, and approved that date by a majority of said Fund's shareholders, was obligated to furnish Managed Funds Inc. advisory, research and statistical services as required by said Fund's investment policies adopted by its Board of Directors, and that said obligation and responsibility of Slayton Associates Inc. to Managed Funds Inc. and its stockholders had been abdicated and delegated to Stephen M. Jaquith as set forth in (1) above.

(3) The Annual Report on Form N-30A-1 for the year ended November 30, 1954, filed on February 8, 1955, as required by Section 30(a) of the Act and the rule adopted thereunder and then in effect, omitted to state the facts hereinabove recited in (1) and (2); omitted to state as was required to be stated therein that Jaquith was employed by Model, Roland & Stone; omitted to state that Slayton Associates Inc. had not performed the services it had agreed to perform (as set forth in paragraph (2) above) for which it had received payment of $125,943; omitted to state that part or all of said amount might be recoverable by Managed Funds Inc; omitted to state that Slayton Associates Inc., pursuant to the contract referred to in (1) above, had directed to Jaquith, during the period covered, brokerage commissions aggregating at least $134,977.51 in respect of portfolio securities purchased and sold for Managed Funds Inc.; omitted to state that Jaquith had designated Model, Roland & Stone to effect said purchases and sales as brokers and to receive said brokerage commission; omitted to state that Jaquith received as gross compensation for said designation 50% of said commission; omitted to state that of the credit for brokerage commission thus received by Jaquith, at the direction of Hilton H. Slayton, President of Managed Funds Inc. and Vice President and 51% stockholder of Slayton Associates Inc., Jaquith caused $6,769.64 gross commissions to be credited to Harold W. Smith, the husband of a sister of Hovey E. Slayton, the Vice President of Managed Funds Inc. and President of Slayton Associates Inc.; omitted to state that the contract described in (1) above between Slayton Associates Inc. and Stephen M. Jaquith was in violation of Section 15(a) of the Investment Company Act of 1940 and therefore void, and that part or all of the compensation paid thereunder to Model, Roland & Stone, and in turn to Jaquith and to Smith, might be recoverable by Managed Funds Inc.

(4) The Annual Report on Form N-30A-1 for the year ended November 30, 1955, filed on February 13, 1956, omitted to state the facts recited in (1) and (2) above; omitted to state that Slayton Associates Inc. had not performed the advisory services it had agreed to perform under the contract dated August 15, 1952, for which it had received payment of $129,019; omitted to state that part or all of said amount might be recoverable by Managed Funds Inc.; omitted to state that Slayton Associates

Inc. had directed to Jaquith (pursuant to the illegal advisory contract dated December 1, 1953) brokerage commissions aggregating at least $268,872.24 in respect of portfolio securities purchased and sold for Managed Funds Inc.; omitted to state that Jaquith had designated Model, Roland & Stone to effect said purchases and sales and to receive brokerage commissions aggregating $268,872.24; omitted to state that Jaquith received as compensation for said designation credit from Model, Roland & Stone in the gross amount of 50% of said commissions; omitted to state that of the credit for brokerage commissions thus received by Jaquith, at the direction of Hilton H. Slayton, President of Managed Funds Inc. and Vice President and 51% stockholder of Slayton Associates Inc, Jaquith caused $11,399.91 gross commissions to be credited to one James S. Stubbs, formerly a business associate of Hilton H. Slayton and a Director of Managed Funds Inc.; omitted to state that at Hilton H. Slayton's direction Jaquith also caused $60,263.69 gross of said commissions to be credited to Harold W. Smith; and omitted to state that the contract between Jaquith and Slayton Associates Inc., pursuant to which brokerage commissions were paid to Model, Roland & Stone and, in turn, to Jaquith, Stubbs, and Smith, was in violation of Section 15(a) of the Act and therefore void and that all or part of the compensation paid thereunder might be recoverable by Managed Funds Inc.

(5) The Annual Report on Form N-30A-1 for the year ended November 30, 1956, filed on January 29, 1957, omitted to state the facts recited in (1) and (2) above; omitted to state that Slayton Associates Inc. had not performed the services it was obligated to perform under the contract dated August 15, 1952, for which it had received payment of $229,096; omitted to state that part or all of said amount might be recoverable by Managed Funds Inc.; omitted to state that Slayton Associates Inc. had directed to Jaquith (pursuant to the illegal advisory contract dated December 1, 1953) brokerage commissions aggregating at least $402,474.29 in respect of portfolio securities purchased and sold for Managed Funds Inc.; omitted to state that Jaquith had designated Model, Roland & Stone to effect said purchases and sales and to receive brokerage commissions aggregating $402,474.29; omitted to state that Jaquith received as compensation for said designation credit from Model, Roland & Stone in the gross amount of 50% of said commissions, that of the credit for brokerage commissions thus received by Jaquith, at the direction of Hilton H. Slayton, Jaquith caused $144,813 gross commissions to be credited to Stubbs and $47,266.94 gross commissions to be credited to Smith; and omitted to state that the contract between Jaquith and Slayton Associates Inc., pursuant to which brokerage commissions were paid to Model, Roland & Stone and in turn to Jaquith, Stubbs, and Smith was illegal and void and that all or part of the compensation paid thereunder might be recoverable by Managed Funds Inc.

(6) The Annual Report on Form N-30A-1 for the year ended November 30, 1957, filed on January 22, 1958, omitted to state the facts recited in (1) and (2) above; omitted to state that Slayton Associates Inc. had not performed the services it was obligated to perform under the contract dated August 15, 1952, for which it had received payment of $253,821; omitted to state that part or all of said amount might be recoverable by Managed Funds Inc.; omitted to state that Slayton Associates Inc. had directed to Jaquith (pursuant to the illegal advisory contract dated December 1, 1953) brokerage commissions aggregating at least $254,525.42 in respect of portfolio securities purchased and sold for Managed Funds Inc.; omitted to state that Jaquith had designated Model, Roland & Stone to effect said purchases and sales and to receive brokerage commissions aggregating $254,525.42; omitted to state that Jaquith received as compensation for said designation credit from Model, Roland & Stone in the gross amount of 50% of said commissions, that of the credit for brokerage commission thus received by Jaquith at the direction of Hilton H. Slayton, Jaquith caused $67,520.69 gross commissions to be credited to Stubbs and $60,985.65 gross commissions to be credited to Smith; and omitted to state that the contract between Jaquith and Slayton Associates Inc., pursuant to which brokerage commissions were paid to Model, Roland & Stone and, in turn, to Jaquith, Stubbs, and Smith, was illegal and void and that all or part of the compensation paid thereunder might be recoverable by Managed Funds Inc.

(7) The Annual Report on Form N-30A-1 for the year ended November 30, 1958, filed on January 12, 1959, omitted to state the facts recited in (1) and (2) above; omitted to state that Slayton Associates Inc. had not performed the services it was obligated to perform under the contract dated August 15, 1952, for which it had received payment of $278,404; omitted to state that part or all of said amount might be recoverable by Managed Funds Inc.; omitted to state that Slayton Associates Inc. had directed to Jaquith (pursuant to the illegal advisory contract dated December 1, 1953) brokerage commissions aggregating at least $635,775.10 in respect of portfolio securities purchased and sold for Managed Funds Inc.; omitted to state that Jaquith had designated Model, Roland & Stone to effect said purchases and sales and to receive brokerage commissions aggregating $635,775.10; omitted to state that Jaquith received as compensation for said designation credit from Model, Roland & Stone in the gross amount of 50% of said commissions, that of the credit for brokerage commissions thus received by Jaquith, at the direction of Hilton H. Slayton, Jaquith caused $115,221.41 gross commissions to be credited to Stubbs and $62,292.05 gross commissions to Smith; and omitted to state that the contract between Jaquith and Slayton Associates Inc., pursuant to which brokerage commissions were paid to Model, Roland & Stone and, in turn, to Jaquith, Stubbs, and Smith, was illegal and void and that all or part of the compensation paid thereunder might be recoverable by Managed Funds Inc.

(8) The annual and semi-annual Reports transmitted to Stockholders by Managed Funds Inc. since December 1, 1953, as required by Section 30(d) of the Act and as filed with this Commission as required by Section 30(b)(2) of the Act recited the payments to Slayton Associates Inc. as described in (3), (4), (5), (6), and (7) above and omitted to state that the services for which such payments were made had not been performed and omitted to state that all or part of said amounts might be recoverable by Managed Funds Inc.; and the financial statements included in such Reports to Stockholders are misleading in that realized gains were included in equalization credits and that such equalization accounts were reflected under the caption Net Investment Income in the statement of net assets.

(9) The financial statements included in the annual reports filed with the Commission for the fiscal years ending November 30, 1954, 1955, 1956, 1957, and 1958 as required by Section 30(a) of the Act are misleading in that realized gains were included in equalization credits and that such equalization accounts were reflected under the caption Net Investment Income in the statement of net assets.

(10) Amendment number two to the registration statement filed on November 7, 1956, by Managed Funds Inc. pursuant to the requirements of Section 8(b) of the Act reads as follows:

> "It will be the principal and primary purpose of Managed Funds Incorporated to provide for capital growth on all series. To the extent consistent with the foregoing policy Managed Funds Incorporated will seek reasonable income on its investments. Net investment income, and any realized profits from the sale of portfolio securities will be distributed quarterly, subject however to determination of its board of directors as to the amount and source thereof, and depending on economic conditions."

Subsequent to said amendment the investment policy of Managed Funds Inc. continued to be identical with its prior policy which was to maintain a predetermined amount of distributions on the Fund's shares from year to year and where investment income was not adequate to provide for such distributions, to realize gains on sales of portfolio securities in order to maintain the distributions at the desired rate, and both prior and subsequent to November 7, 1956, the principal and primary purpose of Managed Funds Inc. as actually followed has not been to provide for capital growth on all series.

(11) In soliciting proxies for the annual meetings of stockholders of Managed Funds Inc. for the annual meetings in 1956, 1957, and 1958, the proxy statements transmitted by Managed Funds Inc. recited that during the fiscal years next preceding such annual meetings Slayton Associates

Inc. had "earned" management fees (pursuant to the contract dated August 13, 1952) aggregating $179,019.10, $229,096.20, and $253,821.26 for the respective fiscal years when, in fact, Slayton Associates Inc. had not performed the services required to earn such fees.

Pursuant to the provisions of Section 8(e) of the Investment Company Act of 1940 Managed Funds Inc. may file a corrected registration statement and corrected reports on or before May 29, 1959.

You are further notified that following any such filing or failure so to file, after appropriate notice and opportunity for hearing, this Commission may suspend the registration of Managed Funds Inc. under the Investment Company Act of 1940, or may by order revoke such registration, if the evidence establishes (1) that Managed Funds Inc. has filed reports required by Sections 30(a) and (b) of the Act but has omitted therefrom material facts required to be stated therein, or has filed a registration statement or report or other documents in violation of Section 34(b) of the Act; and (2) that such suspension, or revocation, is in the public interest.

By the Commission.

Orval L. DuBois
Secretary

FField:acm
4/23/59

It is also asserted by the Commission that Managed Funds' annual report for the year ended November 30, 1958, failed to disclose that Slayton Associates did not perform the services it had agreed to perform and for which it had received payment of $278,488; that Slayton Associates had directed brokerage commissions to Jaquith aggregating at least $635,775 in respect of portfolio securities purchased and sold for Managed Funds that year; that Jaquith designated Model, Roland and Stone to effect said purchases and sales and to receive the $635,775 of brokerage commissions.

It further appears that, at the direction of Hilton H. Slayton, Jaquith caused gross commissions of $357,152 to be credited to himself, $215,231 to James S. Stubbs, and $63,393 to Harold W. Smith. Net commissions to the three individuals was 50% of such amounts. Hilton H. Slayton is president of Managed Funds and vice president and 51% stockholder of Slayton Associates; Smith is the husband of a sister of Hovey E. Slayton, vice president of Managed Funds and president of Slayton Associates; and Stubbs is a former business associate of Hilton H. Slayton and a former director of Managed Funds. These payments were not disclosed in the report.

Similar non-disclosures are charged with respect to earlier reports. In 1957, gross commission payable to Model, Roland and Stone amounted to $254,525 of which Jaquith, Stubbs and Smith were to receive 50% of gross commissions in the respective amounts of $137,020, $67,520, and $49,985; in 1956, gross commissions payable to Model, Roland and Stone amounted to $402,474, of which Jaquith, Stubbs and Smith were to receive 50% of gross commissions in the respective amounts of $210,395, $144,813, and $47,266; in 1955, gross commissions payable to Model, Roland and Stone amounted to $268,872, of which Jaquith, Stubbs and Smith were to receive 50% of gross commissions in the respective amounts of $197,210, $11,399, and $60,263; and in 1954, gross commissions payable to Model, Roland and Stone amounted to $134,977, of which Jaquith and Smith were to receive 50% of the gross commissions in the respective amounts of $128,208 and $6,769. Payments to Slayton Associates during these earlier years were in the amounts of $253,821 in 1957, $229,096 in 1956, $179,019 in 1955 and $125,943 in 1954, no disclosure being made that Slayton Associates did not perform the services it had agreed to render.

Moreover, according to the notice, the report failed to disclose that the said contract between Jaquith and Slayton Associates was illegal and void under provisions of the Investment Company Act and that all or part of the compensation paid thereunder might be recoverable by Managed Funds.

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Slayton Associates Fees
$278,488

Jaquith Commissions
$635,775
Jaquith Stubbs Smith

1958

Yr. ended 11/30	Slaytons	Fees to Slayton Associates MR&S	50% of Commissions to: Jaquith	Stubbs	Smith
			$	$	$
1958	278,488	$635,775 ~~278,488~~	357,152	215,231	63,393
1957	253,821	254,525	137,620	67,520	49,98
1956	229,096	402,474	210,395	144,813	47,266
1955	179,019	268,872	197,210	11,399	60,26
1954	125,943	134,977	128,208	—	6,76
	$866,367	$1,696,623	1,029,985	438,963	227,67
			50% of	50% of	50% o

For IMMEDIATE Release Friday, April 24, 1959

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C.

Securities Act of 1933
Release No. 4074
Investment Company Act of 1940
Release No. 2870

The Securities and Exchange Commission has instituted proceedings under the Securities Act of 1933 challenging the accuracy and adequacy of disclosures contained in a registration statement filed by Managed Fund, Inc., a St. Louis investment company, and scheduling a hearing for May 6, 1959, on the question whether a stop order should be issued suspending its effectiveness. The registration statement was filed August 2, 1954. From time to time since that date amendments have been filed increasing the number of shares registered for public sale and to provide a current prospectus, the most recent such amendment having been filed August 25, 1958, and declared effective August 29, 1958.

At the same time, the Commission served written notice on Managed Funds pursuant to provisions of the Investment Company Act of 1940 that various of its annual and other reports under that Act appear to be false and misleading; that the company may file corrected reports on or before May 29, 1959; and that following any such filing or failure so to file, the Commission may, after notice and opportunity for hearing, suspend or revoke the registration of Managed Funds as an investment company.

In announcing these proceedings, the Commission called attention to the fact that Managed Funds has a portfolio of securities having an aggregate market value of approximately $75 million, and that its actions should not be construed in any manner as questioning the ability of Managed Funds to meet the contract terms of its outstanding shares.

One of the principal issues raised in the stop order proceedings relates to the adequacy and accuracy of the stated investment policy of Managed Funds, the principal objective of which is said to be "to provide for capital growth in all classes," with emphasis upon "capital growth rather than income" and with resulting normal turnover in the securities held. The statement of investment policy is challenged by the Commission in view (among other things) of the Fund's large turnover of portfolio securities and its apparent policy and design to provide and distribute quarterly gains on sales of portfolio securities.

Another primary issue relates to representations in the Managed Funds prospectus that research, statistical and investment advisory services are rendered to the Fund by Slayton Associates, Inc., under a contract dated August 15, 1952. The accuracy of these representations is questioned by the Commission in view particularly of the undisclosed delegation of certain of these functions by Slayton Associates to Stephen M. Jaquith and the nature and extent of the services actually rendered by Jaquith for the Fund, as well as the payment to Jaquith and others of brokerage commissions on transactions in Managed Funds portfolio securities, as outlined below.

In the notice under the Investment Company Act, false and misleading representations in various reports filed by Managed Funds under that Act are charged, including the omission to state that Jaquith had become the investment adviser for Managed Funds in December 1953 under provisions of a contract dated December 1, 1953, between Slayton Associates, Inc., the then investment adviser for the Fund, and Jaquith, then an employee of Model, Roland and Stone. According to the notice, this contract required Jaquith, under the general direction and approval of Slayton Associates, to use his best judgment in the selection, purchase and sale of securities under the general policy of Slayton Associates as it may be determined from time to time; and Slayton Associates in payment for the services to be rendered, agreed to direct brokerage business to Jaquith or to such persons or firms as he might designate.

It further appears, according to the Commission's notice, that despite the obligation of Slayton Associates to render advisory services to Managed Funds under and pursuant to a contract dated August 15, 1952, ". . . said obligation and responsibility of Slayton Associates Inc., to Managed Funds, Inc. and its stockholders had been abdicated and delegated to Stephen M. Jaquith."

OVER

Uncorrected Copy - p.2

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Washington, D. C.

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In announcing these proceedings, the Commission called attention to the fact that Managed Funds has a portfolio of securities having an aggregate market value of approximately $75 million, and that its actions should not be construed in any manner as questioning the ability of Managed Funds to meet the contract terms of its outstanding shares.

One of the principal issues raised in the stop order proceedings relates to the adequacy and accuracy of the stated investment policy of Managed Funds, the principal objective of which is said to be "to provide for capital growth in all classes," with emphasis upon "capital growth rather than income" and with resulting normal turnover in the securities held. The statement of investment policy is challenged by the Commission in view (among other things) of the Fund's large turnover of portfolio securities and its apparent policy and design to provide and distribute quarterly gains on sales of portfolio securities.

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It further appears, according to the Commission's notice, that despite the obligation of Slayton Associates to render advisory services to Managed Funds under and pursuant to a contract dated August 15, 1952, ". . . said obligation and responsibility of Slayton Associates Inc., to Managed Funds, Inc. and its stockholders had been abdicated and delegated to Stephen M. Jaquith."

OVER

It is also asserted by the Commission that Managed Funds' annual report for the year ended November 30, 1958, failed to disclose that Slayton Associates did not perform the services it had agreed to perform and for which it had received payment of $278,488; that Slayton Associates had directed brokerage commissions to Jaquith aggregating at least $635,775 in respect of portfolio securities purchased and sold for Managed Funds that year; that Jaquith designated Model, Roland and Stone to effect said purchases and sales and to receive the $635,775 of brokerage commissions; and that Jaquith received as compensation for said designation credit from Model, Roland and Stone in the gross amount of 50% of the commissions.

It further appears that, at the direction of Hilton H. Slayton, Jaquith caused $215,231 gross commissions to be credited to James S. Stubbs and $63,392 to Harold W. Smith. Hilton H. Slayton is president of Managed Funds and vice president and 51% stockholder of Slayton Associates; Smith is the husband of a sister of Hovey E. Slayton, vice president of Managed Funds and president of Slayton Associates; and Stubbs is a former business associate of Hilton H. Slayton and a former director of Managed Funds. These payments were not disclosed in the report.

Similar non-disclosures are charged with respect to earlier reports, including payments to Slayton Associates and to Model, Roland and Stone for prior years, as follows: 1957 - $253,821 and $254,525, respectively; 1956 - $229,096 and $402,474, respectively; 1955 - $179,019 and $268,872, respectively; and 1954 - $125,943 and $134,977, respectively. In each of the years, Jaquith received 50% of the commissions payable to Model, Roland and Stone; and at the direction of Hilton H. Slayton, Jaquith caused commissions to be credited in 1957 to Smith in the amount of $49,985 and to Stubbs in the amount of $67,520; in 1956, $47,266 to Smith and $144,813 to Stubbs; 1955, $60,263 to Smith and $11,399 to Stubbs; and 1954, $6,769 to Smith.

Moreover, according to the notice, the report failed to disclose that the said contract between Jaquith and Slayton Associates was illegal and void under provisions of the Investment Company Act and that all or part of the compensation paid thereunder might be recoverable by Managed Funds.

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	Jaquith	Stubbs	Smith	Total
1958	357,152	215,231	63,392	635,775
1957	137,020	67,520	49,985	254,525
1956	210,395	144,813	47,266	402,474
1955	197,210	11,399	60,263	268,872
1954	128,208	—	6,769	134,977
	1,029,985	438,963	227,675	1,696,623

~~1,696,623~~

134,977
6,769
128,208

67,520
49,985
117,505

254,525
117,505
137,020

144,813
47,266
192,079

402,474
192,079
210,395

60,263
11,399
71,662

268,872
71,662
197,210

You are further notified that following any such filing or failure so to file, after appropriate notice and opportunity for hearing, this Commission may suspend the registration of Managed Funds Inc. under the Investment Company Act of 1940, or may by order revoke such registration, if the evidence establishes (1) that Managed Funds Inc. has filed reports required by Sections 30(a) and (b) of the Act but has omitted therefrom material facts required to be stated therein, or has filed a registration statement or report or other documents in violation of Section 34(b) of the Act; and (2) that such suspension, or revocation, is in the public interest.

By the Commission.

Orval L. DuBois
Secretary

For IMMEDIATE Release Friday, April 24, 1959

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Washington, D. C.

Securities Act of 1933
Release No. 4074
Investment Company Act of 1940
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In announcing these proceedings, the Commission called attention to the fact that Managed Funds has a portfolio of securities having an aggregate market value of approximately $75 million, and that its actions should not be construed in any manner as questioning the ability of Managed Funds to meet the contract terms of its outstanding shares.

One of the principal issues raised in the stop order proceedings relates to the adequacy and accuracy of the stated investment policy of Managed Funds, the principal objective of which is said to be "to provide for capital growth in all classes," with emphasis upon "capital growth rather than income" and with resulting normal turnover in the securities held. The statement of investment policy is challenged by the Commission in view (among other things) of the Fund's large turnover of portfolio securities and its apparent policy and design to provide and distribute quarterly gains on sales of portfolio securities.

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