

# 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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FOR RELEASE April 28, 1959

## STOP ORDER SUSPENDS COMICO REGISTRATION

The SEC today announced the issuance of a "stop order" decision (Release 33-4050) suspending the effectiveness of a registration statement under the Securities Act of 1933 filed by Comico Corporation, of Memphis, Tenn., for non-compliance with the disclosure requirements of the Securities Act in connection with a proposed stock offering by that company.

The Commission also declined to permit withdrawal of the registration statement, declaring that no absolute right of withdrawal exists and that under the facts here involved withdrawal would not be consistent with the public interest and protection of investors. Commissioner Sargent dissented from this ruling, stating that in his opinion there is no basis for denying the withdrawal request.

The Comico registration statement was filed in 1957 and proposed the public offering of 750,000 common shares at \$2 per share. Comico was organized in February 1957 for the purpose of exploiting a deposit of silica material, located in Pike and Montgomery Counties, Arkansas, and held under leasehold by Comico's promoters, Harold E. Phillips, Cecil V. Goodwin, Calvert W. Beale, Sr., Calvert W. Beale, Jr., and Gus R. Camp. At the time of filing, Comico had outstanding 770,000 shares, held principally by officers and directors, a substantial portion of which was subject to an option held by Interstate Holding Corporation, which had a number of common promoters, officers and directors with Comico.

Phillips, Goodwin, and Beale, Sr., officers and director of Interstate, obtained a \$25,000 loan from Interstate to finance the acquisition of the lease and the organization of Comico. The lease was acquired by Phillips, Goodwin, Camp and the Beales, who assigned it to Comico in exchange for 660,000 shares of Comico stock. An additional 110,000 shares were issued to Beale, Jr., and others for services. Phillips, Goodwin and Beale, Sr., became directors and respectively president, first vice president and second vice president of Comico.

The Commission ruled that various informational disclosures contained in Comico's registration and prospectus were materially misleading concerning, among other things, the market and uses for Comico's product, prior unsuccessful attempts to develop the property leased by it, the proposed use of the proceeds of the stock offering, the compensation to the underwriter, the interests of management in transactions with Comico, the relationship between stock holdings received by promoters and those of public shareholders if the shares offered for public sale are sold, provisions of the lease on the silica properties, and the obligation to pay royalties unusual in the industry. Furthermore, the prospectus failed to indicate plainly the speculative features of Comico's business and securities.

"The record shows," the Commission stated, "that Comico is seeking to carry on a highly speculative venture without any basis for assuming that it could successfully market any of its material, and that Comico filed a registration statement which not only failed to disclose the speculative features of the offering but contained highly optimistic statements regarding Comico's prospects, made without factual foundation and based only on a rough memorandum prepared after a cursory study. These facts, coupled with the omissions regarding, among others, the prior unsuccessful efforts to develop the property, the interests of the principal officers and directors and their affiliation and transaction with Interstate, compel us to conclude that the registration statement was either designed to conceal facts or was prepared in a grossly careless and negligent manner, in either case indicating a willful failure to make adequate disclosure as required by the Act."

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For further details, call ST. 3-7600, ext. 5526

ARKANSAS POWER PREFERRED STOCK SALE CLEARED

The SEC has issued an order under the Holding Company Act authorizing Arkansas Power & Light Company, Little Rock, to offer for sale at competitive bidding 75,000 additional shares of its \$100 par preferred stock. Proceeds of the stock sale will be used for property additions and improvements. Construction expenditures in 1959 are estimated at \$30,100,000.

EDWARD HINES LUMBER FILES FOR EMPLOYEE STOCK PLAN

Edward Hines Lumber Co., 200 South Michigan Ave., Chicago, filed a registration statement (File 2-15035) with the SEC on April 27, 1959, seeking registration of 60,000 shares of common stock, for offering to employees and officers of the company under stock options or for outright purchase.

VIRGINIA ELECTRIC PROPOSES RIGHTS OFFERING

Virginia Electric and Power Company, 7th & Franklin Sts., Richmond, today filed a registration statement (File 2-15036) with the SEC seeking registration of 781,000 shares of Common Stock. The stock is to be offered for subscription by holders of outstanding common at the rate of one new share for each 20 shares held of record June 2, 1959. The offering price and underwriting terms are subject to the terms of the proposed invitation for competitive bids for the underwriting of the offering.

Net proceeds of the stock sale will be used to provide for construction expenditures or to reimburse the company's treasury therefor. Construction expenditures for 1959 are estimated at \$53,000,000 (\$10,700,000 expended through March 31).

TEN KEYS PROPOSES STOCK OFFERING

Ten Keys, Incorporated, 512 Hospital Trust Building, Providence, R. I., today filed a registration statement (File 2-15037) with the SEC seeking registration of 973,000 shares of Capital Stock, to be offered for public sale at \$5.40 per share. Ten Keys is a non-diversified, open-end management investment company organized under Rhode Island law on April 23, 1959, for the primary purpose of investing in "special situations which afford attractive capital growth possibilities." It has issued 27,000 shares to its initial subscribers for \$135,000. E. R. Davenport & Co. is listed as the sole distributor of the shares. Edward R. Davenport, board chairman, and Allan G. Davenport, president, are partners of the distributor. The company's board of directors will supervise and manage its investment portfolio and direct the purchase and sale of its investment securities. Davenport & Co. will provide research and statistical services.

ASSOCIATED FUND FILES FOR ADDITIONAL SHARES

Associated Fund, Inc., St. Louis investment company, today filed an amendment to its registration statement (File 2-13383) seeking registration of an additional 10,000 Full Paid Accumulative Trust Fund Certificates.

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