

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST



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

Washington 25, D.C.

May 27, 1957

FOR RELEASE

Statistical Release No. 1457

The SEC Index of Stock Prices, based on the closing prices of 265 common stocks for the week ended May 24, 1957, for the composite and by major industry groups, compared with the preceding week and with the highs and lows for 1957, is as follows:

	<u>(1939 - 100)</u>		<u>Percent Change</u>	<u>1957</u>	
	<u>5/24/57</u>	<u>5/17/57</u>		<u>High</u>	<u>Low</u>
Composite	353.7	353.9	- 0.1	353.9	322.5
Manufacturing	452.5	452.9	- 0.1	452.9	405.7
Durable Goods	418.2	422.9	- 1.1	422.9	382.7
Non-Durable Goods	484.1*	480.6	+ 0.7	484.1	427.1
Transportation	295.4	299.8	- 1.5	317.5	286.1
Utility	163.3*	163.0	+ 0.2	163.3	156.2
Trade, Finance & Service	287.0	286.4	+ 0.2	290.1	274.8
Mining	387.2*	380.3	+ 1.8	387.2	340.5

* New High

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Securities Act Release Nos. 3769 and 3790

The SEC today announced a further, revised proposal for amendment of its Statement of Policy with respect to investment company sales literature, particularly as related to the use of certain types of charts and tables; and it invited the submission of further written views and comments thereon not later than June 30, 1957.

At the same time, the Commission announced a proposal for related revisions of its Form N-8B-1 for registration under the Investment Company Act of 1940 of all management investment companies (except those which issue periodic payment plan certificates), and of its Forms S-4 and S-5 for registration under the Securities Act of 1933 of securities of closed-end management investment companies and open-end management investment companies, respectively; and it also invited the submission of written views and comments on these proposals not later than June 30, 1957.

The Statement of Policy sets forth certain respects in which the Commission considers that literature used in connection with the offering and sale of investment company securities may be misleading and violative of the standards of the Federal

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securities laws. These laws, generally speaking, provide that it shall be unlawful to offer or sell securities by means of any untrue statement of a material fact, by the omission of a material fact, or by any fraudulent or deceitful practice or device. A proposed revision thereof was first announced on August 9, 1956, with respect to which written comments were filed, followed by a public hearing on November 15, 1956. After considering all of the views expressed in regard to this revision proposal, the revised draft has been prepared and published for further comment.

The revised draft, which deals principally with charts and tables, would permit the use of both charts and tables showing the record of an assumed investment in the securities of an investment company which reflect either the acceptance of capital gains distribution in additional securities or the reinvestment of dividends from investment, income, or both. Charts and tables would not be limited to a period of ten years but could be shown for the life of the company or plan or for a period of ten years plus additional periods of five years each. The revised draft also would require that any chart or table which reflects either the acceptance of capital gains distributions in additional shares or the reinvestment of dividends from net investment income be accompanied by a table showing for each year covered by the accompanying chart or table the year-end net asset value, dividends from investment income, distributions from securities profits, and the high and low offering price for the year. The table would also show the current rate of return based on dividends paid from net investment income in the most recent twelve-month period as related to the offering price as of the date of publication of the sales literature.

Under Item 12 of the present investment company registration Form N-8B-1, such companies are required to furnish a ten-year table of per share capital and income changes. Under the proposed revision of this form, such provision would be deleted and there would be substituted therefor a requirement that there be furnished a ten-year table showing in comparative form statements of income and expense, realized and unrealized gain or loss on investments, and certain ratios and other financial information. Such requirement would provide for investors a more informative presentation of the financial operations of the issuing company. Furthermore, the requirements of Form S-4 and S-5 for the registration of securities would be adapted to these new requirements of Form N-8B-1; and the new ten-year table would be required to be set forth on one of the first three pages of the prospectus.

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Capital Reserve Corp., Washington, D. C., filed an amendment on May 24, 1957 to its registration statement (File 2-11692) seeking registration of an additional \$1,000,000 in Potomac Plans for the Systematic Accumulation of common stock of Potomac Electric Power Co.

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Associates Investment Company, South Bend, Ind., filed a registration statement (File 2-13366) with the SEC on May 24, 1957, seeking registration of \$20,000,000 of Subordinated Debentures due June 1, 1977 to be offered for public sale through an underwriting group headed by Salomon Bros. & Hutzler and Lehman Brothers. The interest rate, public offering price and underwriting terms are to be supplied by amendment. Associates and its subsidiaries are engaged primarily in automobile sales financing and insurance incident thereto principally in territories east of the

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Rocky Mountains in the United States and Canada. Net proceeds of the sale of the debentures will be used to increase or maintain the working capital of the company but will be initially applied to the reduction of short-term notes due within one year. The additional working capital may be used for the purchase of receivables in the ordinary course of its financing activities, may be advanced to or invested in subsidiaries for such purposes, including, among other things, the bulk purchase of receivables, or may be advanced to or invested in subsidiaries for such other purposes as relate to their respective businesses.

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General Telephone Corporation, New York City, filed a registration statement (File 2-13367) with the SEC seeking registration of 1,480,787 shares of its \$10 par Common Stock and 170,000 shares of 5.28% Convertible Preferred Stock, \$50 par. General proposes to offer these securities in exchange for the common and preferred stocks of Peninsular Telephone Company, Tampa, Florida, on the basis of 1.3 shares of General common for each share of Peninsular common, and .5 of a share of General preferred for each share of Peninsular \$1 Preferred, \$1.30 Preferred and \$1.32 Preferred. General will pay soliciting dealers 40¢ for each share of Peninsular common and 20¢ for each share of Peninsular preferred exchanged through their efforts. The preferred stock exchange offer is subject to the special condition that no exchange of preferred stock will be made unless at least 80% of the total outstanding Peninsular preferred is exchanged.

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Seaporcel Metals, Inc., Long Island City, N. Y., filed a registration statement (File 2-13368) with the SEC on May 24, 1957, seeking registration of 340,000 shares of its 10¢ par Common Stock. The company proposes to offer 300,000 shares for public sale at \$2 per share. The underwriter, Charles Flohn & Co., has agreed to purchase 200,000 shares for redistribution; and it also has agreed to use its best efforts to sell the remaining 100,000 shares. The underwriting commission is 30¢ per share. The underwriter has purchased for investment 26,000 common shares from M. Jesse Salton, president, and Benjamin B. Loring, executive vice-president and treasurer, at \$1.25 per share.

Organized in 1955 under Delaware law, Seaporcel is primarily engaged in the manufacture and erection of architectural porcelain enamel products used in the building and construction fields. Of the net proceeds of this financing, approximately \$84,000 will be used for new equipment and the balance will be added to working capital. The company desires to be able to expand its products to include porcelain enameling on aluminum to meet certain demands not satisfied by its present products; and the new equipment will enable it to manufacture its products with an aluminum base.

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Roland J. Kalb, Morris J. Steelman and Jerome L. Herold, Voting Trustees for the 25¢ par common stock of Herold Radio & Electronics Corporation, Mount Vernon, N. Y., filed a registration statement (File 2-13369) with the SEC on May 24, 1957,

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seeking registration of voting trust certificates for 200,001 shares of such stock.

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American Income Fund, Inc., New York, filed a registration statement (File 2-13370) with the SEC on May 24, 1957, seeking registration of 500,000 shares of its \$1 par Capital Stock. The Fund is a newly organized investment company. Burton H. Jackson is president; Securities Cycle Research Corp., is Investment Adviser; and there is no underwriter.

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Fairbanks, Morse & Co., Chicago, today filed a registration statement (File 2-13371) with the SEC seeking registration of \$15,000,000 of Convertible Subordinated Debentures, due June 1, 1972, to be offered for public sale through an underwriting group headed by A. C. Allyn and Company, Inc. The interest rate, public offering price and underwriting terms are to be supplied by amendment. Net proceeds of this financing will be supplemented to the extent necessary from general funds of the company to provide sufficient funds to purchase 300,000 shares of the company's common stock presently owned by Penn-Texas Corporation, at the price of \$50 per share. The purchase of such stock, according to the prospectus, is to be made pursuant to an offer of sale made by Penn-Texas Corporation to Fairbanks, Morse on May 10, 1957, which offer was accepted by the company on May 14, 1957. Some of the principal provisions of this agreement are as follows:

1. Penn-Texas Corporation agreed to sell to the company 300,000 shares of the common stock of the company at a price of \$50 per share, contingent upon the company's sale of the debentures at reasonable terms.
2. For a period of five years, the parties agreed to vote all shares owned or controlled by them for five directors nominated by R. H. Morse, Jr., five nominated by Penn-Texas Corporation and an eleventh director chosen by mutual agreement. After consummation of the sale described above, nomination for any replacement of the eleventh director shall be made by Morse. In the event another director or directors shall be elected by shareholders not party to the agreement, in any election following the above contemplated sale, shares will be voted for all the Morse nominees and for such number of Penn-Texas nominees which, when added to the number elected by shareholders not party to the agreements, will equal five.
3. On matters other than the election of directors, all parties to the agreements agreed, for a period of five years, to vote any shares owned or controlled by them in accordance with the recommendations of the majority of the company's Board of Directors, except that if such other matter is a proposed merger or sale or lease of substantially all of the company's property, any party may refrain from voting and, in that case, may demand purchase of his shares by the company as provided by statute in such cases.
4. Penn-Texas Corporation agreed not to acquire any additional stock for the purpose or with the intent of gaining control of the company. All parties

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are free to sell stock but if at private sale, the seller, if one of the Morses, agrees to grant the right of first refusal to Penn-Texas, and if Penn-Texas, a like right to the Morses.

The prospectus lists Robert H. Morse, board chairman, as the Beneficial of Record holder of 267,231 shares of Fairbanks, Morse stock, the Beneficial, not of Record holder of 30,000 shares, and the Of Record not Beneficial holder of 8,000 shares. Penn-Texas is listed as the Beneficial of Record holder of 156,950 shares and the Beneficial not of Record holder of 361,800 shares. As of March 31, 1957, 1,372,215 shares were outstanding.

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