

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 24, 1961

Statistical Release No. 1749. The SEC Index of Stock Prices, based on the closing price of 300 common stocks for the week ended April 21, 1961, for the composite and by major industry groups compared with the preceding week and with the highs and lows for 1961 is as follows:

	1957-59 = 100		Percent Change	1961	
	4/21/61	4/14/61		High	Low
Composite	132.7	134.2	-1.1	134.2	118.3
Manufacturing	125.5	126.8	-1.0	126.8	113.0
Durable Goods	128.4	129.8	-1.1	129.8	117.0
Non-Durable Goods	122.8	124.1	-1.0	124.1	109.2
Transportation	102.8	103.3	-0.5	106.6	97.8
Utility	168.2	170.9	-1.6	170.9	144.4
Trade, Finance & Service	150.3	151.1	-0.5	151.1	132.5
Mining	92.8	95.3	-2.6	95.3	83.3

SECURITIES ACT REGISTRATION STATEMENTS. During the week ended April 20, 1961, 28 registration statements were filed, 40 became effective, 2 were withdrawn, and 457 were pending at the week end.

SEC WARNS ON "HOT ISSUE" PRACTICE. The attention of the SEC has been directed to recently published articles in business magazines and the public press which indicate that certain dealers participating in distributions of new issues have been making allotments to their customers only if such customers agree to make some comparable purchase in the open market after the issue is initially sold. The Commission wishes to call the attention of dealers to the fact that generally speaking any such arrangement involves a violation of the anti-manipulative provisions of the Securities Exchange Act, particularly Rule 10b-6 thereunder, and may involve violation of other provisions of the federal securities laws. Should evidence of such practice by individual firms be developed, the Commission will take appropriate action.

SEC COMPLAINT NAMES TOWNSEND CORP., TOWNSEND MANAGEMENT, OTHERS. The SEC today announced the filing of Federal court action (USDC Newark, N.J.) seeking to enjoin violations of various provisions of the Investment Company Act by Townsend Corporation of America, Townsend Management Company, and the following directors of the two companies: Morris M. Townsend, Clinton Davidson, Raymond E. Hartz, Robert F. Nelson, William F. Rockwell, James R.E. Ozias, Herbert A. Johnson, James L. Lovell and Macon Cunningham. (Lit Release 1985).

The Commission also charges gross misconduct and abuse of trust by the individual defendants and seeks their removal from office; seeks the appointment of a receiver or statutory trustee to take jurisdiction and administer the affairs of the two companies under court jurisdiction; and seeks a temporary stay of any action which will result in the loss of the principal assets of the two companies by reason of foreclosure on outstanding indebtedness or otherwise.

STANLEY I. YOUNGER ENJOINED. The SEC New York Regional Office announced April 20th (LR-1987) the entry of a Federal court order (USDC SDNY) permanently enjoining Stanley I. Younger from further violating SEC Rule 10b-5 in connection with his transactions in National Photocopy stock.

PROXY RULES MODIFIED. The SEC has amended its Proxy Rules under the Securities Exchange Act to provide a procedure for expediting the examination of amendments to proxy soliciting material filed with the Commission. (Release 34-6537). In an amendment to Rule 14a-6, the Commission directs that, where amended proxy material is filed, two copies of such material (three in the case of investment companies) shall be marked to show the differences between it and the material previously filed. The purpose of the amendment is to expedite the processing of material by making it unnecessary in reviewing proxy material to reread in detail material which is substantially the same as material previously filed. The Commission also invites comments from interested persons on the operation of the amended rule.

FILING OF MARKED COPIES ENCOURAGED. In a further announcement issued today (Release 33-4359 and 34-6538), the Commission observed that it is still confronted with the task of processing a large backlog of statements and that every effort is being made through rule changes and the streamlining of administrative procedures to reduce the time involved in processing statements. To this end, it recently amended Rules 473 and 478 under the Securities Act to avoid the considerable time and trouble involved in the filing of successive "delaying" amendments pending the processing of statements thereunder; and more recently it amended Rule 472(d) under that Act and now Rule 14a-6 under the Securities Exchange Act to provide for the filing of marked copies of amendments to registration statements and proxy material in order to facilitate their examination.

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The Commission continues to seek all possible means of conserving the time and lessening the workload of its staff so that public financing will not be unnecessarily delayed. For example, it has been observed that registration statements and proxy material are frequently filed in form substantially identical with such material previously filed. While it may not be practicable to deal with this problem by rule because of the variety of situations presented by registration and proxy statements, it is believed that issuers and their counsel could in many cases save time in the processing of such material by filing two marked copies (or in the case of investment companies registered under the Investment Company Act of 1940, three marked copies) showing changes made from earlier filings. The Commission urges that this procedure be followed, wherever practicable, at the time of initial filing. It is further urged that persons filing registration statements or other documents with the Commission or having conferences or other business with the staff bear in mind the tremendous demands on the staff arising from the unprecedented volume of work now pending.

REVISED FINANCIALS FOR INSURANCE COMPANIES PROPOSED. The SEC today announced a proposal under the Securities Exchange Act (Release 34-6531) to revise Articles 7 and 12 of its Regulation S-X accounting rules relating to the form and content of financial statements and related schedules filed by insurance companies other than life and title insurance companies; and it invited the submission of views and comments thereon not later than May 19, 1961.

According to the Commission announcement experience gained from the examination of financial statements and schedules filed with the Commission by insurance companies, changes in requirements of the Annual Statement filed with state regulatory authorities since Article 7 was originally adopted, and comments received from such registrants and interested members of the accounting profession indicate the desirability of revising the present Article 7 and the related schedules in Article 12 so as to give effect to new developments and changes in insurance accounting. It is believed that the requirements of the proposed revision call for information which is either presently given in the Annual Statement filed with state regulatory authorities or is otherwise readily available. Wherever possible the order and terminology of the current Annual Statement have been used in this revision.

The major revisions of the balance sheet are (1) a new caption requires a statement of commitments and contingent liabilities. This requirement has in fact been complied with for many years since generally accepted accounting principles require that recognition be given to commitments and contingencies in the financial statements or in notes thereto; (2) surplus reserves which are general in nature and not applicable to any specific asset or liability are now required to be classified as earned surplus appropriated; and (3) those companies which do not divide surplus into its several components may continue to report the unsegregated balance in one amount, but in lieu of segregation there is now required a summary analysis of surplus since the organization of the company.

The profit and loss or income statements would be amended to provide (1) the amount of premiums written and the increase or decrease in unearned premium reserve are now required as the first two captions; (2) the requirement for separate statement of salaries and other compensation of directors and officers has been deleted; and (3) realized gains or losses on investments, net of the related income taxes, are to be reported at the foot of the income statement after determination of net income or loss from all other sources and after deduction of income taxes related thereto.

Revisions also are proposed in the special notes to financial statements and in the supporting schedules.

NATIONAL FUEL GAS FINANCING APPROVED. The SEC has issued an order under the Holding Company Act (Release 35-14416) authorizing National Fuel Gas Company, New York holding company, to issue and sell \$27,000,000 of sinking fund debentures due 1986 at competitive bidding. The net proceeds will be used in part to redeem \$15,000,000 of outstanding 5½% debentures due 1982 and to prepay \$6,000,000 of bank notes. The Commission reserved jurisdiction over the proposal to apply the balance of the proceeds to the purchase of notes of two subsidiaries.

LOEB, RHOADES SEEKS ORDER. Carl M. Loeb, Rhoades & Co., New York investment banker, has applied to the SEC for an exemption order under the Investment Company Act; and the Commission has issued an order giving interested persons until May 8, 1961, to request a hearing thereon. Section 9(a) of the Act makes it unlawful for any person to serve as an official, investment adviser or otherwise for any registered investment company, or principal underwriter for any registered open company, if said official, adviser or underwriter is enjoined from engaging in any conduct or practice in connection with the purchase and sale of securities. Section 9(b) authorizes the Commission to grant an exemption from such prohibition upon a proper showing. Such a disqualification exists with respect to the Loeb, Rhoades firm by reason of the March 10th injunction order (USDC SDNY), entered on consent of the firm in an action filed by the Commission against Fruit of the Loom, Inc., et al, which enjoined the firm from purchasing securities of Fruit of the Loom in violation of SEC Rule 10b-5 by omitting material facts. The firm seeks an exemption from the prohibitions of Section 9(a).

CUSTER CHANNEL WING HEARING POSTPONED. The SEC has granted a request of its Staff for a postponement from April 25 to May 23, 1961, of the hearing to determine whether to vacate or make permanent a prior order of the Commission temporarily suspending a Regulation A exemption from Securities Act registration with respect to a proposed public offering of stock by Custer Channel Wing Corp., of Hagerstown, Md.

ARIZONA PUBLIC SERVICE PROPOSES RIGHTS OFFERING. Arizona Public Service Company, 501 South 3rd Avenue, Phoenix, Ariz., filed a registration statement (File 2-17989) with the SEC on April 21st seeking registration of 488,986 shares of common stock. It is proposed to offer such shares to holders of common stock on the basis of one new share for each 15 shares held of record on May 23, 1961. The First Boston Corp. and Blyth & Co., Inc. head the list of underwriters. The subscription price and underwriting terms are to be supplied by amendment. The net proceeds from the sale of the stock will be used for construction purposes and payment of loans incurred for construction purposes. Expansion of the company's facilities will cost an estimated \$70,000,000 in 1961 (of which \$6,000,000 was expended through February 1961), \$89,000,000 in 1962, and \$52,000,000 in 1963.

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MICHIGAN WISCONSIN PIPE LINE PROPOSES BOND OFFERING. Michigan Wisconsin Pipe Line Company, 500 Griswold Street, Detroit, Mich., filed a registration statement (File 2-17990) with the SEC on April 21st seeking registration of \$30,000,000 of First Mortgage Pipe Line Bonds, due 1981, to be offered for public sale at competitive bidding. The net proceeds from the bond sale, together with \$3,000,000 to be received from the sale of common stock to American Natural Gas Company, the company's parent, will be used to retire \$33,000,000 of bank loans incurred for the purpose of temporarily financing construction.

ELECTRARC FILES FOR STOCK OFFERING. Electrarc, Inc., 505 Washington Street, Lynn, Mass., filed a registration statement (File 2-17991) with the SEC on April 21st seeking registration of 100,000 shares of common stock, to be offered for public sale at \$5 per share. The offering will be made on a best efforts basis through P. de Rensis & Co. Inc., which will receive a 75¢ per share selling commission. The underwriter acquired 10,000 shares from the company in May 1960 for \$5,000; and the company has agreed to sell the underwriter 5-year warrants to purchase an additional 10,000 common shares at \$5 per share. The registration statement also includes 31,517 common shares issuable upon exercise of warrants and restricted stock options held by management officials and stockholders.

Since its organization in 1956, the company has been engaged in research and development relating to arc welding and wire shielding. According to the prospectus, it has developed and produced an electric arc welding unit capable of welding metals having a thickness of five-thousandths of an inch. It has also developed a process for shielding insulated wire and cable with thin gage aluminum and other metals. The company is not yet in commercial production and sales have been limited to small sample runs of shielded wire. Of the \$385,000 net proceeds from the stock sale, \$215,000 will be used (1) to construct a wire shielding and tubing machine capable of producing shielded wire and tubing in commercial quantities, (2) to construct one or more arc welders for thin gage metals, (3) to provide funds for advertising and promotion, (4) to meet operating and other expenses, including salaries and rent, during the promotional period, (5) to purchase laboratory and test equipment and office furniture, and (6) to provide future working capital and proper reserves for contingencies. The balance will be used for the purchase of tool room machinery and equipment for the manufacture of special tools and fixtures required to adapt the company's arc welder to specific manufacturing operations and to process and control the work being welded, tool room labor and overhead, and additional working capital.

The company has outstanding 188,170 shares of common stock, of which management officials as a group own 18.1%. After the sale of new stock, management officials will own 11.8% for which they will have paid \$12,363, and the public will own 88.2% for \$655,137.14. Russell S. Donald is listed as president and Rufus L. Briggs as vice president.

FLATO REALTY FUND FILES FOR OFFERING. Flato Realty Fund, Highway 44 and Baldwin Blvd., Corpus Christi, Texas, filed a registration statement (File 2-17992) with the SEC on April 21st seeking registration of 2,000,000 shares of participation in the Fund, to be offered for public sale initially at \$10 per share to yield the Fund \$9.15 per share. Flato, Bean & Co. is the Fund's distributor. After 90 days, the shares will be sold at net asset value plus a sales charge of 8.5%.

The Fund is a business trust organized under Texas law in April 1961, and managed by Edwin Flato Company. The Fund will be operated as "real estate investment trust," offering shares which are redeemable (subject to certain limitations) at the option of its shareholders. According to the prospectus, the purpose of the Fund is to give investors an opportunity to own shares in a professionally managed diversified investment portfolio consisting principally of income producing real estate. The net proceeds from the sale of Fund shares will be employed primarily to "acquire and develop real estate investments selected for the highest income-producing potential consistent with sound investment, combined, where possible, with superior prospects for growth of principal values." Edwin Flato Company, the Fund's trustee and manager, is a Texas corporation engaged in managing real estate. Management officials of the Fund include Franklin Flato, president of Edwin Flato Company.

CAPITAL PROPERTIES FILES FINANCING PROPOSAL. Capital Properties Inc., 36 Pearl St., Hartford, Conn., filed a registration statement (File 2-17993) with the SEC on April 21st seeking registration of \$600,000 of 9½% Debentures due 1977 and 12,000 shares of common stock. It is proposed to offer these securities in 600 units, each consisting of \$1,000 of debentures and 20 common shares, and at \$1,000 per unit. The offering is to be made on a "best efforts" basis by Hodgdon & Co., Inc., for which it will receive a 10% selling commission plus \$15,000 for expenses. Between three years and ten years after the offering, the underwriter may be entitled to purchase for \$12,600 an option to purchase 14,000 common shares at 10¢ per share.

Organized under Delaware law in February 1961, the company plans to purchase and lease back three buildings to be built by Tower's Marts, Inc., the seller-lessee, and operated by the lessee as retail discount department stores. In June 1960 Norman Ebenstein, company president, acquired an option from Towers to purchase these properties and in January 1961 he assigned the option to his nominee, Realty Properties, Inc., which exercised the option as to the purchase of one store to be built in Wheaton, Md. In March, Realty assigned the option to Capital in return for the issuance of 400,000 shares of Capital's 6% preferred stock, \$1 par, to Ebenstein. The purchase price of the Wheaton Store will be \$503,417.60; and Capital has obtained a loan commitment on the proposed building in the amount of \$384,000, leaving about \$120,000 cash to be paid at the closing date. At the time of closing the company intends to lend Towers \$50,000 on a one-year note. Construction has or is to begin in April, 1961.

Options to purchase a store building in Tampa and in St. Petersburg, Fla., were exercised by Ebenstein's nominee in March, and construction is to commence in September 1961. The exact size and purchase price of these two buildings have not been determined; and Capital is now negotiating for mortgage financing for them. Of the net proceeds of this offering, \$119,417 will be used for closing the Wheaton Store purchase, \$50,000 for the loan to Towers, and \$433,404 (including \$73,000 to be paid by Ebenstein and \$12,600 by the underwriter for common stock and options) will be applied as addition to general funds for use in purchasing the Tampa and St. Petersburg store buildings and for other purposes.

Upon completion of this financing, the company will have outstanding the \$384,000 trust note, \$600,000 of debentures, 400,000 preferred shares, 88,000 common shares and 14,000 options. Ebenstein will own 74,000 common shares (for which he will have paid \$74,000) in addition to the 400,000 preferred shares. The registration statement also covers the 400,000 preferred shares and 50,000 of the common shares held by Ebenstein, same being registered for pledging by Ebenstein with lenders of money.

AMERICAN FINANCE FILES FOR FINANCING AND SECONDARY. American Finance Company, Inc., 1472 Broadway, New York, filed a registration statement (File 2-17994) with the SEC on April 21st seeking registration of \$500,000 of 6% Convertible Subordinated Debentures due 1971, 75,000 shares of common stock, and 25,000 common stock purchase warrants. These securities are to be offered for public sale in units, each consisting of one \$200 debenture, 30 shares and ten warrants. The warrants will be exercisable until December 15, 1963, at \$15 per share. Of the 75,000 common shares comprising the units, 50,000 are being offered by the company and 25,000, being outstanding stock, by the present holder thereof, Fred Nives, president and founder. The 2500 units are to be offered for public sale at \$500 per unit through underwriters headed by Myron A. Lomasney & Co., which are to receive a commission of \$62.50 per unit. Also included in the registration statement are 60,000 outstanding common shares acquired by Lomasney from a former stockholder, 15,000 at \$2 per share and 45,000 at \$5 per share.

The company ("AFC") through 15 of its 18 subsidiaries is engaged in the automobile sales finance business and purchases retail sales installment contracts originating with automobile dealers on new and used cars purchased primarily overseas by members of the United States Armed Forces and U.S. Government employees. One subsidiary is a Maryland savings and loan association and two act primarily as insurance brokers placing insurance with non-affiliated insurance companies on automobiles financed by AFC or its subsidiaries. Net proceeds of this financing (except from the sale of Nives' stock) will be used for the retirement of \$182,000 of debentures, with the balance added to capital funds to increase AFC's borrowing capacity. Certain of the funds may be used for expansion of AFC's operations abroad and for AFC's contemplated entry into the consumer credit field in Western Europe.

In addition to its indebtedness, AFC now has outstanding 200,000 shares of common stock, of which Nives owns 65%. His interest will be reduced to 42% upon consummation of this offering.

TRADING SUSPENDED IN BLACK BEAR INDUSTRIES STOCK. The SEC today summarily suspended trading in the common stock of Black Bear Industries, Inc., of New York City, on the San Francisco Mining Exchange for the period April 24 to May 3, 1961, inclusive. By virtue of Rule 15c2-2, the suspension order also bears trading in such stock in the over-the-counter market.

According to the Commission, the annual and other periodic reports recently filed by Black Bear Industries (formerly Black Bear Consolidated Mining Co.) have generally not complied with the Commission's rules under the Securities Exchange Act of 1934 in that there appear to be substantial omissions of material facts with respect to property acquisitions in exchange for company stock and concerning the company's properties and business. In connection with a "tentative" annual report on Form 10-K for the year ended May 31, 1960, the company's accountant stated, in part: "The books, records, documents and files were and are in a very bad state. These, in our opinion, do not clearly or correctly reflect the correct financial condition, or the operations of the corporation. Very few responses have been received to requests for confirmations. Consequently, we are not in a position to give an opinion as to the financial position as at May 31, 1960 or the results of the operations of Black Bear Industries, Inc. for the fiscal year then ended."

In view of the fact that the financial and other information filed by the company appears substantially inadequate for purposes of an evaluation by investors of its stock, the Commission has ordered the suspension of trading in the shares.

SECURITIES ACT REGISTRATIONS. Effective April 21: Thompson Ramo Wooldridge Inc. (File 2-17527). Withdrawn April 21: Reliance Manufacturing Company (File 2-16461); Detroit Tractor, Ltd. (File 2-16638). Effective April 24: Roblin-Seaway Industries, Inc. (File 2-17432); Lockwood Grader Corporation (File 2-17561); Nedick's Stores, Inc. (File 2-17621); Terryphone Corporation (File 2-17633); The Crowell-Collier Publishing Company (File 2-17719); Columbia Gas System (File 2-17949). Withdrawn April 24: Kukatush Mining Corporation (1960) Ltd. (File 2-17608).

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