

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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MAINCO ELECTRONICS & MARINE DEVELOPMENT OFFERING SUSPENDED. The SEC has issued an order temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a public offering of stock by Mainco Electronics and Marine Development Corporation, of Boothbay Harbor, Maine.

Regulation A provides a conditional exemption from registration with respect to public offerings of securities not exceeding \$300,000 in amount. In a notification filed in October 1961, Mainco Electronics ("issuer") proposed the public offering of 75,000 common shares at \$4 per share. The Commission asserts in its suspension order that it has reasonable cause to believe that the issuer's notification and offering circular were false and misleading and that the stock offering would and did operate as a fraud or deceit upon the purchasers. The order provides an opportunity for hearing, upon request, on the question whether the suspension should be vacated or made permanent.

The alleged misrepresentations in the offering circular relate to the issuer's failure to disclose (1) that the company was not producing the fiberglass products referred to; (2) that the issuer had no inventory of the electronic products described therein, was not currently producing those items and had little or no facilities to produce the described items; (3) that a lease agreement pertaining to expansion of production facilities was canceled by the issuer on or about December 13, 1961; (4) the total number of employees and the number engaged in the electronics phase of business; and (5) that the proceeds were not being used in the order of priority as stated therein. It also is alleged that the offering circular named various persons as directors when in fact such persons had not consented to serve, that the description of the educational background of the general manager and projects engineer is false and misleading, and that the amended offering circular contains untrue statements with reference to the reasons given for the resignations of certain directors.

APPALACHIAN POWER SEEKS ORDER. Appalachian Power Company, Roanoke, Va., has applied to the SEC for an order under the Securities Exchange Act authorizing it to make an additional \$30,000 investment in the stock of Virginia Industrial Development Corp.; and the Commission has issued an order (Release 35-14603) giving interested persons until April 5th to request a hearing thereon.

APPALACHIAN POWER FINANCING. The SEC has issued an order under the Holding Company Act (Release 35-14604) giving interested persons until April 2d to request a hearing upon the proposal of Appalachian Power Company (Roanoke) to issue and sell at competitive bidding \$25,000,000 of bonds due 1992 and \$20,000,000 of debentures due 1992. As previously reported (SEC News Digest of March 5, 1962), net proceeds of the financing will be applied to the payment of some \$30,000,000 of bank loans and used for 1962 construction expenditures.

POTOMAC EDISON PROPOSES ACQUISITIONS. The Potomac Edison Company, Frederick, Md., has joined with three subsidiaries in the filing of a proposal with the SEC under the Holding Company Act for additional equity investments by Potomac Edison in the subsidiaries; and the Commission has issued an order (Release 35-14605) giving interested persons until April 9th to request a hearing thereon. Under the proposal, Potomac Edison would make additional investments of \$400,000, \$2,400,000 and \$500,000, respectively, in Northern Virginia Power Company, Potomac Light and Power Company, and South Penn Power Company. The subsidiaries would use the proceeds for necessary property additions and improvements.

STOP ORDER SUSPENDS AMERICAN FINANCE OFFERING. In a decision announced today (Release 33-4475), the Commission suspended the registration statement filed by American Finance Company, Inc., of New York, by reason of its failure to comply with the Securities Act disclosure requirements. The Commission ruled that the statement contains misleading statements and omits required facts with respect to (among others) the speculative risks of the business, the purpose of the financing, the nature of the operations of a subsidiary, the independence of the certifying accountant, the use of proceeds of the offering, and the proposed offering of shares on behalf of shareholders. The stop order bars the public offering and sale of the subject securities until the registration has been corrected to conform to the Commission's decision and the stop order is lifted.

The registration statement, filed in April 1961, proposed the public offering of \$500,000 of debentures due 1971, 75,000 common shares, and 25,000 warrants to purchase a like number of shares at \$15 per share. The securities were to be offered in 2500 units, each consisting of a \$200 debenture, 30 shares, and 10 warrants, at a price of \$500 per unit. Of the 75,000 shares, 25,000 are owned by Fred B. Nives, president of the company and one of its promoters. The offering was to be made through Myron A. Lomasney & Co., which would receive \$156,250 in commissions (12½%) plus expenses. Also included in the statement were 60,000 shares held by Lomasney and 17 persons associated with it, to be offered for public sale (after completion of the offering of the units) at market prices prevailing at the time of sale. The company is engaged through subsidiaries in the automobile sales finance business, principally with respect to overseas purchases of new and used cars by members of the U. S. Armed Forces and by U. S. Government employees.

One of the deficiencies found by the Commission was the failure to disclose the facts with respect to the foreign credit arrangements previously obtained for American Finance by Herman W. Brann, a promoter and former 50% shareholder; his controlling or material interest in the foreign lenders and the \$55,000 compensation to him for services; the 1961 sale of his 50% stock interest for six times its \$50,000 cost in 1955; the fact that the cessation of Brann's efforts to obtain risk capital for the company made necessary the replacement of the loans he procured, which is one of the primary purposes of this financing; that the public financing in effect would transfer to public investors from the foreign lenders procured by Brann, the risks inherent in providing the capital base against which American Finance could borrow funds essential to its operations; and that domestic lines of credit impose dividend and other restrictions upon the company.

Nor was there disclosure that the financing (including the sale of an additional 50,000 common shares by the issuer) would increase the book value of outstanding shares from \$2.95 to \$4.11 per share whereas the shares purchased by public investors at a proposed cost basis of \$10 per share would suffer an immediate dilution in book value of \$5.89 per share. The prospectus also failed to disclose the risks inherent in the company's overseas finance business, including the fact that its loans are made primarily to the lower ratings of enlisted military personnel (60% of outstanding loans being to military personnel in the rating of corporal or lower).

One of American Finance's subsidiaries was Standard Savings & Loan Association, said to be a Maryland savings and loan association. Reference to this company as an operating savings and loan association, the Commission stated, was materially false and misleading since the subsidiary operated merely as a collection agency for the issuer. This subsidiary was organized to do what American Finance could not do - receive Class "E" allotment payments from military personnel and forward same to American Finance for application on the unpaid balance of its automobile loans. During the first nine months of 1961, such allotment payments were received from some 4500 allottees, as contrasted with only 320 savings accounts held by Standard. Accordingly, the Commission ruled that the opening of these savings accounts evidenced by passbooks, involved the sale of securities in violation of the Securities Act registration requirements and that the financial statements should have reflected a contingent liability in respect of such violation.

In addition, the Commission held that the accounting firm of Winters & Robins was not "independent" for purposes of certifying the financial statements of American Finance by reason of the fact that Eli Robins, a partner, acted as legal counsel to American Finance from 1955 through 1961; that pertinent facts were not disclosed with respect to the proposed method of offering of the 60,000 shares by Lomasney and others, including the fact that such distribution would not be coordinated or controlled by a managing underwriter and that the selling group had not provided the contractual safeguards for the protection of investors provided in a conventional distribution; and that facts were available but not disclosed as to the intended use of the proceeds of some \$875,000 of the proposed financing.

FLEX ELECTRIC PRODUCTS FILES FOR FINANCING AND SECONDARY. Flex Electric Products, Inc., 39-08 24th Street, Long Island City, N. Y., filed a registration statement (File 2-19964) with the SEC on March 16th seeking registration of (1) \$95,000 of 6% subordinated debentures due 1972 to be offered for public sale by the company, and (2) 47,500 shares of common stock, of which 44,650 shares are to be offered for public sale by the company and 2,850 shares, being outstanding stock, by Alexander Zalman, president and principal stockholder. Such securities are to be offered in units consisting of one \$100 debenture and 50 common shares (with four attached 3-year warrants to purchase four additional common shares at \$7 per share). The offering will be made at \$350 per unit on a best efforts all or none basis by Bond, Richman & Co., 160 Broadway, New York, which will receive a \$35 per unit commission and \$12,500 for expenses. The statement also includes (1) 3,800 shares underlying said warrants, and (2) \$50,000 of 5% subordinated convertible notes (and 20,000 common shares underlying such notes) sold at par to general partners of the underwriter, convertible at \$1 per share.

The company is engaged in the design, manufacture and sale for amateur use of portable movie and still camera lighting equipment, and it also manufactures a line of specially designed photographic accessories including camera triggers and grips. The company recently commenced the manufacture of projection screens for use by the military services. The net proceeds from the company's sale of debentures and additional common stock will be used to purchase additional production equipment, to develop new products, to augment existing sales staff and for general product promotion, to finance increased inventories, and for general corporate purposes. In addition to certain indebtedness and preferred stock, the company has outstanding 91,000 shares of common stock (after giving effect to a recent recapitalization whereby such common shares and 25,000 of \$1 par preferred shares were issued in exchange for the 100 common shares then outstanding). Of such outstanding common stock, Zalman and his wife own 98% in the aggregate (and 100% of the preferred). As indicated, Zalman proposes to sell 2,850 common shares.

COLWELL CO. FILES FOR FINANCING AND SECONDARY. The Colwell Company, 3223 West Sixth Street, Los Angeles, filed a registration statement (File 2-19966) with the SEC on March 16th seeking registration of (1) \$1,000,000 of subordinated sinking fund debentures due 1977 (with attached 15-year warrants to purchase a maximum of 20,000 common shares), to be offered for public sale by the company, and (2) 35,000 outstanding shares of common stock, to be offered for public sale by the holders thereof. Such securities are to be offered for public sale by Mitchum, Jones & Templeton, 650 S. Spring St., Los Angeles, and J. A. Hogle & Co., 132 S. Main St., Salt Lake City. The public offering price (maximum \$35 per common share*) and underwriting terms are to be supplied by amendment.

The company is primarily engaged in the business of originating and servicing loans secured by first trust deeds (mortgages) on real property, and through subsidiaries it conducts a general insurance agency and brokerage business. The net proceeds from the company's sale of debentures will be added to working capital and used primarily for making real estate loans. A portion of such proceeds may be used to repay in part a \$750,000 loan from United California Bank (secured by all the stock owned by the company's

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principal stockholder) incurred for investment in one of certain joint ventures entered into by the company with builders engaged in the development of residential housing. In addition to certain indebtedness, the company has outstanding 461,298 shares of common stock, of which Bundy Colwell, president, owns 35.5%. Curtis McFadden, a vice president, and Ralph O. Wilcox, a director (and Penelope Wilcox), own 88,169 and 51,756 shares, respectively, and propose to sell 30,000 and 5,000 shares, respectively.

IPCO HOSPITAL SUPPLY FILES FOR OFFERING AND SECONDARY. Ipco Hospital Supply Corporation, 161 Avenue of Americas, New York, filed a registration statement (File 2-19967) with the SEC on March 16th seeking registration of 290,000 shares of common stock, of which 200,000 shares are to be offered for public sale by the company and 90,000 shares, being outstanding stock, by the holders thereof. Shearson, Hammill & Co., 14 Wall Street, New York, heads the list of underwriters. The public offering price (maximum \$12 per share*) and underwriting terms are to be supplied by amendment. The statement also includes 75,000 shares to be offered pursuant to the company's Restricted Stock Option Plan.

The company is engaged in the distribution of a complete line of surgical and hospital supplies and equipment to hospitals and similar institutions and in the distribution of Gevaert x-ray film and related accessories to hospitals and physicians. Of the net proceeds from the company's sale of additional stock, \$1,650,000 will be used to repay indebtedness to banks incurred for working capital purposes and the balance will be added to working capital and used for general corporate purposes. In addition to certain indebtedness, the company has outstanding 1,000,440 shares of common stock (after giving effect to a proposed recapitalization whereby such shares will be issued in exchange for the 4,200 common shares now outstanding). Of such outstanding stock, Max M. Low, president, and Evlynn K. Low, his wife, own 51% and 21%, respectively, and management officials as a group 66%. An aggregate of 19% is owned by the two children of the Lows and their spouses. The prospectus lists six selling stockholders owning an aggregate of 751,521 shares, including Low who proposes to sell 61,800 shares. The others own 47,640 shares each and propose to sell 5,140 shares each (except one who proposes to sell 7,640 shares).

TIME FILES STOCK PLANS. Time, Incorporated, Time & Life Building, Rockefeller Center, New York, filed a registration statement (File 2-19968) with the SEC on March 16th seeking registration of 251,650 shares of common stock, to be offered to key employees pursuant to its Restricted Stock Option Plans.

MISSISSIPPI POWER PROPOSES BOND OFFERING. Mississippi Power Company, 2500 14th Street, Gulfport, Miss., filed a registration statement (File 2-19969) with the SEC on March 16th seeking registration of \$6,000,000 of first mortgage bonds due 1992, to be offered for public sale at competitive bidding. The net proceeds from the bond sale will be used for the construction or acquisition of permanent improvements, extensions and additions to the company's utility plant and for payment of short-term loans (estimated at \$5,431,500) made or to be made for such purposes prior to April 1, 1962. The company anticipates expenditures of about \$24,904,000 during 1962-64 for the construction or acquisition of property, of which \$10,549,000 is expected to be spent during 1962.

MINNEAPOLIS-HONEYWELL REGULATOR FILES STOCK PLAN. Minneapolis-Honeywell Regulator Company, 2747 Fourth Avenue South, Minneapolis, filed a registration statement (File 2-19970) with the SEC on March 19th seeking registration of 40,000 shares of common stock, to be offered pursuant to its Stock Purchase Plan for Employees.

LEVINE'S FILES FOR SECONDARY. Levine's, Inc., 8908 Ambassador Row, Dallas, Texas, filed a registration statement (File 2-19971) with the SEC on March 19th seeking registration of 80,000 outstanding shares of common stock, to be offered for public sale by the holders thereof through underwriters headed by Kidder, Peabody & Co., 20 Exchange Place, New York. The public offering price (maximum \$17.50 per share*) and underwriting terms are to be supplied by amendment. The statement also includes 11,000 shares underlying warrants sold by the company in June 1961 to the principal underwriter for \$2,750, exercisable until May 31, 1962 at \$12.50 per share. The company operates a chain of 79 stores in the retail clothing and dry goods business in 7 states of the Southwest. It has outstanding 655,536 shares of common stock, of which William Levine, board chairman, and Morris Levine, president, own 16.15% and 15.87%, respectively, and management officials as a group about 45%. The children and grandchildren of the two Levines own an aggregate of 28.5% of the company's outstanding stock. The prospectus lists 10 selling stockholders including William and Morris Levine, who propose to sell 21,125 and 20,775 shares, respectively. Others propose to sell amounts ranging from 2,000 to 7,300 shares.

WESTERN GAS SERVICE FILES FOR OFFERING AND SECONDARY. Western Gas Service Company, 9065 Alameda Ave., El Paso, Texas, filed a registration statement (File 2-19972) with the SEC on March 19th seeking registration of 65,000 shares of common stock, of which 50,000 shares are to be offered for public sale by the company and 15,000 shares being outstanding stock, by the holders thereof. Underwood, Neuhaus & Co., 724 Travis at Rusk, Houston, Texas, heads the list of underwriters. The public offering price (maximum \$25 per share*) and underwriting terms are to be supplied by amendment.

The company is an operating public utility engaged principally in distributing natural gas in 36 communities and rural irrigation areas of New Mexico, Oklahoma and Texas; and it also provides water service in seven communities in Oklahoma and Texas. The net proceeds from the company's sale of additional stock, together with the proceeds from the private sale of \$1,750,000 of first mortgage bonds, will be used to pay short-term bank loans of \$1,450,000 (plus accrued interest), incurred in connection with plant expansion and working capital requirements; to meet the cost of the company's 1962 expansion program (estimated at \$1,200,000); and to increase working funds. In addition to certain indebtedness and preferred stock, the company has outstanding 644,000 shares of common stock, of which Calvert C. Tucker, president, and

Helen C. Tucker, a vice president, own 23.51% and 23.16% respectively, and management officials as a group 59.75%. The Tuckers propose to sell 7,500 shares each. Melton R. Underwood, a company vice president, is president and principal stockholder of the underwriter.

BAXTER LABS FILES STOCK PLAN. Baxter Laboratories, Inc., 6301 Lincoln Avenue, Morton Grove, Ill., filed a registration statement (File 2-19973) with the SEC on March 19th seeking registration of 60,000 shares of common stock, to be offered pursuant to its Employees Stock Purchase Plan.

INCUBATION FUND FILES FOR STOCK OFFERING. The Incubation Fund, Inc., 120 Broadway, New York, filed a registration statement (File 2-19974) with the SEC on March 19th seeking registration of 50,000 shares of common stock, to be offered for public sale (without underwriting) at \$100 per share. The Fund was organized under Delaware law in March 1962 and is registered under the Investment Company Act of 1940 as an open-end, non-diversified management investment company. Long-term capital gain will be the primary investment objective of the Fund. The firm of Lewis B. Cullman, Inc. (organized in January 1962) has been retained to act as its investment adviser. Lewis B. Cullman and William Leach are president and vice president, respectively, of the Fund; and they hold similar positions and are the sole stockholders of the investment adviser.

FIRST OKLAHOMA BANCORPORATION FILES EXCHANGE PLAN. First Oklahoma Bancorporation, Inc., 120 North Robinson, Oklahoma City, Okla., filed a registration statement (File 2-19975) with the SEC on March 19th seeking registration of 7,700,000 shares of Class A common stock. It is proposed to offer such shares for the outstanding stock of The First National Bank and Trust Company of Oklahoma City (on a 7-for-1 basis) and of Idabel National Bank, Idabel, Oklahoma (on a 70-for-1 basis). No underwriting is involved.

Organized under Delaware law in February 1962, the primary business of the company will be the acquisition of stock or securities of banks, trust companies, bank building companies, incorporated insurance agencies, small business investment companies, or similar financial or related entities. To date, the company has no operating assets. Application for approval as a bank holding company has been made to the Board of Governors of the Federal Reserve System. The prospectus states that C. A. Vose, president of the company and board chairman of First National, intends to transfer (or cause to be transferred by his family), pursuant to the exchange offer, about 309,000 shares (28.09%) of First National and 505 shares (50.5%) of Idabel National. Assuming all shares are exchanged, Vose and his family would own 11.1% of the outstanding stock of the company and management officials as a group 17%. Four principal officers of the company are also officers of First National.

SALRO MFG. FILES FOR FINANCING AND SECONDARY. Salro Manufacturing Corp., 413 Thatford Avenue, Brooklyn, N. Y., filed a registration statement (File 2-19976) with the SEC on March 19th seeking registration of (1) \$250,000 of 7% convertible subordinated debentures due 1972, to be offered for public sale by the company, and (2) 16,500 outstanding shares of common stock, to be offered for public sale by the holders thereof. Such securities are to be offered in units consisting of \$500 of debentures and 33 outstanding shares, and at \$632 per unit (\$4 per common share). The offering will be made on an all or none basis by I.R.E. Investors Corp., 3000 Hempstead Turnpike, Levittown, New York (also a selling stockholder), which will receive a \$63.20 per unit commission and \$17,000 for expenses. The statement also includes 25,000 shares underlying 5-year warrants sold to the underwriter for \$250, exercisable at \$6 per share.

The company is engaged in the manufacture and distribution of metal purse frames and metal handbag frames for manufacturers of purses and handbags. Of the \$205,150 estimated net proceeds from the company's sale of debentures, \$100,000 will be used to repay an outstanding short-term bank loan, and the balance to purchase machinery and equipment for use in the new field of business into which the company intends to enter, consisting of the machine stamping of metal parts for manufacturers of other products. Any balance will be added to working capital to meet current obligations and for general corporate purposes. In addition to certain indebtedness, the company has outstanding 247,500 shares of common stock, of which Salvador Vecchione, president, and Joseph A. Fleres, board chairman, own 82,500 shares each. They propose to sell 3,000 shares each. In addition, the principal underwriter proposes to sell 7,500 shares, its counsel 2,000 shares and Burton S. Joseph, a finder, 1,000 shares. All such shares were issued by the company in connection with a prior stock offering in August 1961.

SEC COMPLAINT NAMES JOE SISSOM, SISSOM INVESTMENT. The SEC Fort Worth Regional Office announced March 15th (Lit-2215) the filing of a complaint in Federal court (USDC WD Tex.) seeking to enjoin Joe Bert Sissom, doing business as Sissom Investment Securities, from further violations of the anti-fraud provisions of the Federal securities laws with respect to hypothecation and lending of customers' securities, as well as the SEC net capital and record-keeping rules.

SECURITIES ACT REGISTRATIONS. Effective March 20: Basic Inc. (File 2-19535); Marsh & McLennan Inc. (File 2-19753); Tel-A-Sign, Inc. (File 2-19242); Valley Metallurgical Processing Co. (File 2-19182). Withdrawn March 20: Alfco Development, Inc. (File 2-16841).

*As estimated for purposes of computing the registration fee.

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