

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 October 3, 1962

RULE ON UNDERWRITINGS ADOPTED. The SEC today announced the adoption of a new Rule 10b-9 under the Securities Exchange Act of 1934 (Release 34-6905) which makes it unlawful for any person, in connection with the public offering of securities, to make any representation to the effect that the security is being offered or sold on an "all-or-none" basis unless the security is part of an offering being made on the condition that all or a specified amount of the purchase price will be promptly refunded to the purchaser if all of the securities being offered are not sold at a specified price within a specified time and the total amount due to the seller is not received by him by a specified date. The rule would also prohibit a representation to the effect that the security is being offered or sold on any other basis under which all or part of the amount paid will be refunded to the purchaser if all or part of the securities are not sold, unless the security is part of an offering being made on the condition that all or a specified part of the amount paid will be promptly refunded if a specified number of units are not sold at a specified price within a specified time and the total amount due to the seller is not received by him by a specified date. The rule would not be applicable where there is a firm commitment underwriting for the purchase of all the securities being offered. The problem which the rule is intended to meet, i.e. misleading representations concerning the conditions under which purchasers will obtain refunds, does not arise in the conventional firm commitment underwriting, where the underwriter has a definite obligation to take down and pay the seller for the securities.

SEC CAUTIONS ON CLOSED-END FUND REACQUISITIONS. In an announcement issued today (Release IC-3548), the SEC noted that an increasing number of closed-end investment companies, particularly SBICs, have purchased their own outstanding securities; and it called attention to the prohibitions of Section 23(c) of the Investment Company Act against reacquisitions not effected in accordance with SEC rules and to the prohibitions of Rule 10b-5 under the Securities Exchange Act against fraud and deceit in such reacquisitions. Section 23(c) (1) permits a registered closed-end company to reacquire its securities on a stock exchange, provided (if stock is involved) advance notice is given to shareholders of the company's intention to do so, while Section 23(c)(2) permits the purchase of securities pursuant to tenders; and Rule 23c-1 recites the conditions under which a registered closed-end company may purchase for cash securities of which it is the issuer other than on a stock exchange or pursuant to tenders. The anti-fraud provisions of Rule 10b-5, on the other hand, make it unlawful to employ any scheme or artifice to defraud in connection with the purchase or sale of any security, including false and misleading representations or the omission of any material facts.

"The relationship between an issuer and its stockholders," the Commission stated, "is such that a failure to disclose material facts in connection with the purchase by the issuer of its outstanding shares may be a violation of these provisions. It should be noted that the need for, and adequacy of, the disclosures is the responsibility of the purchasers. Such disclosure should include all material facts necessary to permit informed decisions to be made. In addition, under some circumstances, the purchase by a closed-end investment company of its outstanding stock may be improper even though all material facts are disclosed. This result might obtain, for example, where prior to purchase, the issuer has failed to declare dividends on its stock even though substantial earnings are available for this purpose. It is therefore suggested that any closed-end investment company contemplating the purchase of its own shares consult with the Division of Corporate Regulation of the Commission about the nature of the disclosure to be made or other problems that may exist."

COMMERCIAL PROPERTY ASSOCIATES DEREGISTERED. The SEC has issued an order under the Investment Company Act (Release IC-3549) declaring that Commercial Property Associates, of Boston, has ceased to be an investment company. Associates has been liquidated and all property distributed to shareholders during August 1962.

INCUBATION FUND SEEKS ORDER. The Incubation Fund, Inc., New York investment company, has filed an application with the SEC for exemption from certain provisions of the Investment Company Act; and the Commission has issued an order (Release IC-3550) giving interested persons until October 15th to request a hearing thereon. The Fund seeks an exemption from the Act to the extent that certain provisions thereof require approval by shareholders of investment advisory agreements, election of directors and selection of independent public accountants, respectively, such exemption to be effective until the first annual meeting of the stockholders of the Fund which is scheduled to be held on the third Tuesday of September, 1963. The Fund presently has no stockholders. It proposes initially to offer and sell up to 50,000 common shares when its pending Securities Act registration statement becomes effective. Prior thereto, the Fund proposes to enter into an investment advisory contract with Lewis B. Cullman, Inc.

CONSOLIDATED NATURAL GAS FILES FINANCING PROPOSAL. Consolidated Natural Gas Company, New York holding company, has joined with four of its subsidiaries in the filing of a system financing proposal with the SEC under the Holding Company Act; and the Commission has issued an order (Release 35-14711) giving interested persons until November 1, 1962 to request a hearing thereon. Under the proposal, Consolidated proposes to make borrowings from banks during 1962 in amounts aggregating \$10,000,000; and it also proposes to use the borrowed funds to finance subsidiary company construction through the purchase of their notes, as follows: Hope Natural Gas Company, \$6,000,000; New York State Natural Gas Corporation, \$3,000,000; and The Peoples Natural Gas Company, \$1,000,000. Consolidated also proposes to purchase an additional \$100,000 of stock of the fourth subsidiary, Lake Shore Pipe Line Co.

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MILWAUKEE GAS PROPOSES BORROWINGS. Milwaukee Gas Light Company, Milwaukee, Wisc., subsidiary of American Natural Gas Company, has filed a proposal with the SEC under the Holding Company Act for bank borrowings aggregating \$12,500,000 during the 12 months ended October 1963; and the Commission has issued an order (Release 35-14712) giving interested persons until November 1st to request a hearing thereon. The funds are to be used for the 1962-63 construction programs of the subsidiary and to reimburse its treasury for funds used for such purposes.

MASS. ELECTRIC FILES PROPOSAL. Massachusetts Electric Company, Boston subsidiary of New England Electric System, has applied to the SEC for authorization to borrow \$10,000,000 during the remainder of 1962 from banks and/or NEES; and the Commission has issued an order (Release 35-14713) giving interested persons until October 25th to request a hearing thereon. The funds are to be used for construction expenditures, to reimburse the company's treasury for prior construction expenditures, and to pay then outstanding notes to banks (amounting to \$1,100,000 at September 30th).

SEC FILES IN US CHEMICAL MILLING CASE. The SEC has entered an appearance in the proceedings under Chapter X of the Bankruptcy Act for the reorganization of United States Chemical Milling Corp. of Manhattan Beach, Calif., and its wholly-owned subsidiary, Darco Industries, Inc., pending in the United States District Court for the Southern District of California in Los Angeles. A. J. Bumb has been appointed trustee. The debtors are principally engaged in the manufacturing of metal and fiberglass parts, primarily for the aircraft-missile and related industries. The consolidated balance sheet as of July 31, 1962, shows total assets of \$2,734,785 and total liabilities of \$4,137,760. The assets consist primarily of plant and equipment in the net amount of \$1,379,270 and receivables totaling \$477,260. The total assets also include \$453,720 representing the excess of cost of investment in the subsidiary over equity in net assets at date of acquisition. Liabilities include \$691,570 of trade accounts payable, \$1,394,273 face amount of current notes and contracts payable, and \$1,612,134 of long-term notes and contracts. For the year ended January 31, 1962, the Debtors reported sales of \$4,350,000 and a net loss of \$3,644,000 including a non-recurring loss of \$1,192,000 attributable to the disposal of a vending machine division. The parent Debtor has outstanding 1,047,090 shares of common stock which are held by some 6,000 public investors.

CARTER-JONES DRILLING SEEKS EXEMPTION. Carter-Jones Drilling Company, Inc., of Kilgore, Texas, has filed an application with the SEC pursuant to Rule 15d-20 under the Securities Exchange Act of 1934, seeking an exemption from the duty to file annual and other periodic reports as required by Section 15(d) of the Act; and the Commission has issued an order giving interested persons until October 26, 1962, to request a hearing upon the application.

According to the application, all of the 493,963 outstanding shares of capital stock of the company are held of record by eight persons; and except for the holder of 200 shares, all stockholders are directors of the company.

EQUITY FUNDING OF AMERICA FILES FOR OFFERING. Equity Funding Corporation of America, 5150 Wilshire Blvd., Los Angeles, filed a registration statement (File 2-20775) with the SEC on September 28th seeking registration of \$10,000,000 of participations in its Equity Funding Program, said to be designed to provide investors with the protection of life insurance while building an estate through the purchase of mutual fund shares. The company was organized under Delaware law in 1960 and is engaged in the business of coordinating investments in mutual fund shares and life insurance sold through wholly-owned subsidiaries, and through certain independent insurance agencies and their affiliated mutual fund distributors. According to the prospectus, the company is not a registered investment company under the Investment Company Act of 1940 nor does it in any way participate in the management or supervision of any of the mutual funds sold in the Program. Under the Program, premiums on life insurance policies are paid from the proceeds of loans secured by the pledge of mutual fund shares purchased during the Program. The prospectus states that the purchase of shares and life insurance under the Program is at the same price and subject to the same sales charges and commissions as if they were purchased independently. However, since investments under the Program involve premium financing and certain administrative services, Participants will incur interest and service charges and custodian fees, in addition to the usual sales charges and commissions involved in the separate purchase of mutual funds and insurance.

GEIGHER PIPE SUPPLY FILES FOR OFFERING AND SECONDARY. Geigher Pipe Supply, Inc., 4124 North Broadway St., St. Louis, Mo., filed a registration statement (File 2-20784) with the SEC on September 28th seeking registration of 60,000 shares of Class A common stock, of which 50,000 shares are to be offered for public sale by the company and 10,000 shares, being outstanding stock, by the holders thereof. The offering will be made at \$9.50 per share through underwriters headed by Midland Securities Company, Inc., 15 West 10th St., Kansas City, Mo., which will receive a 95¢ per share commission and \$20,000 for expenses.

The company is engaged in selling (but not manufacturing) various types of steel pipe, valves and fittings for use in industrial plants and buildings. The net proceeds from the company's sale of additional stock will be used to purchase additional variety of pipe, valves and fittings so as to reduce the turn-over in its inventory and take full advantage of quantity discounts. The company has outstanding 10,000 Class A and 60,000 Class B common shares. Of the Class A shares, Charles Geigher, vice president, and George J. Humphreys, treasurer, own 5,000 shares each; and they propose to sell all such shares. In addition, Geigher, Humphreys, Robert J. Kligman, president, and Harvey Twellman, secretary, own 20.8%, 15%, 35% and 29.2%, respectively, of the Class B shares. Book value of stock now outstanding is \$5.71 per share.

DELTA BOWLING FILES FOR OFFERING AND SECONDARY. Delta Bowling Corp., 230 Park Ave., New York, filed a registration statement (File 2-20785) with the SEC on September 28th seeking registration of 100,000 shares of common stock, of which 50,000 shares are to be offered for public sale by the company and 50,000 shares, being outstanding stock, by the holders thereof. The offering will be made at \$3 per share on a best

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efforts basis by Provost Securities, Inc., 230 Park Avenue, New York, which will receive a 45¢ per share selling commission and \$20,000 for expenses. The statement also includes 10,000 shares underlying 5-year warrants to be sold to the underwriter at 1¢ each, exercisable at \$3 per share.

The company was organized in November 1961 and is engaged in the leasing and operating, through wholly-owned subsidiaries, centrally-managed tenpin bowling centers. The company's three centers (76 lanes) are located in New Orleans, Columbia (South Carolina) and Durham (North Carolina). The \$112,333 estimated net proceeds from the company's sale of additional stock will be used to purchase or lease a new center, to purchase additional equipment and supplies, and for general working capital. The company has outstanding 330,000 shares of common stock (after giving effect to a recent 1,500-for-1 stock split), of which Paul Hershcopf and Martin S. Dreyfuss, president, own 13.1% and 9.1%, respectively, and management officials as a group 30.6%. The prospectus lists 26 holders of the 330,000 shares, all of whom (except Dreyfuss) propose to sell some of their holdings. Hershcopf proposes to sell 7,250 shares and others propose to sell amounts ranging from 400 to 4,050 shares. Sale of new stock to the public at \$3 per share will result in an increase in the book value of stock now outstanding (which was acquired at a cost of 4¢ per share) from 53¢ to 76¢ per share with a resulting dilution of \$2.24 per share in the book equity of stock purchased by the public.

SAN DIEGO IMPERIAL FILES FOR SECONDARY. San Diego Imperial Corporation, 1400 Fifth Avenue, San Diego, Calif., filed a registration statement (File 2-20786) with the SEC on October 1st seeking registration of 124,552 outstanding shares of common stock, to be offered for public sale by the holders thereof on a best efforts basis by White, Weld & Co., 20 Broad St., N. Y., and J. A. Hogle & Co., 132 S. Main St., Salt Lake City. The public offering price (maximum \$14 per share*) and underwriting terms are to be supplied by amendment.

The company is engaged primarily in the business of owning substantially all of the equity stock of 15 savings and loan associations located in California, Texas, Colorado and Kansas. Other subsidiaries are engaged in the insurance agency, escrow, parking lot, and mortgage financing businesses. In addition to certain indebtedness, the company has outstanding 6,754,043 shares of common stock, of which management officials as a group own 11.1%. T. Franklin Schneider is president. The selling stockholders are Loomis-Sayles Mutual Fund, Incorporated; Loomis-Sayles Funded Pension Plan; Loomis-Sayles Employees' Profit-Sharing Retirement Fund; and The Paul Revere Life Insurance Company (subsidiary of The Massachusetts Protective Association, Inc.). They propose to sell all of their holdings, except that Paul Revere Life together with its parent will continue to own 88,200 shares.

NATIONAL WESTERN LIFE SHARES IN REGISTRATION. National Western Life Insurance Company, 4101 East Louisiana Ave., Denver, filed a registration statement (File 2-20787) with the SEC on September 28th seeking registration of (1) 22,436.9 shares of common stock, to be offered only as an option to certain of its policyholders to elect to receive such shares in lieu of cash dividends awarded (and to be awarded) under their policies for the next year, and (2) 54,330 common shares underlying options previously granted by the company. The first offering is limited to insurance policyholders owning one or more of three different types of participating policies. Each such policy grants to the insured a right to receive annual cash returns. Pursuant to this offering such policyholders may elect, within 45 days of the date hereof, to take such returns in either stock of the company or cash. If no election is made during this period, shares of stock will be issued and the policyholder will be deemed to have waived any right to cash dividends pursuant to his particular policy for the policy year.

RADAR RELAY FILES FOR OFFERING AND SECONDARY. Radar Relay, Inc., 1631 Tenth St., Santa Monica, Calif., filed a registration statement (File 2-20788) with the SEC on October 1st seeking registration of 100,000 shares of common stock, of which 75,000 shares are to be offered for public sale by the company and 25,000 shares, being outstanding stock, by the holder thereof. White, Weld & Co., Inc., 20 Broad St., New York, heads the list of underwriters. The public offering price (maximum \$10 per share*) and underwriting terms are to be supplied by amendment. The statement also includes an additional 71,888 outstanding shares to be offered for public sale by the holders thereof from time to time in the over-the-counter market at such prices as may be obtainable and as are satisfactory to the selling stockholders.

The company is engaged in the design, manufacture and sale of electronic monitoring warning systems, and integrally lighted switches. Of the net proceeds from the company's sale of additional stock, \$100,000 will be used to improve existing products and to adapt such products to commercial use, \$100,000 for the design and manufacture of an improved type of subminiature relay, and the balance to develop new products and general corporate purposes including working capital. The company has outstanding 198,750 shares of common stock, of which William C. Arrasmith, president, owns 122,737 shares (61.75%) and American Research and Development Corporation, of Boston, 62,438 shares (31.42%). Arrasmith proposes to sell 25,000 shares through the underwriters. American Research, Cameron G. Pierce, a director, and S. N. Wolbach, propose to sell 62,438, 7,250 and 2,200 shares without underwriting. American Research will receive 49,688 of its shares upon exercise of options (previously granted by the company and Arrasmith) in exchange for cancellation of indebtedness of the company to American Research in the amount of \$175,000, which shares may not be sold until May 1963.

ABINGDON-BELVEDERE ASSOCIATES FILES FOR OFFERING. Abingdon-Belvedere Associates, 275 Madison Ave., New York, filed a registration statement (File 2-20789) with the SEC on October 1st seeking registration of \$440,000 of limited partnership interests in Associates, to be offered for public sale at \$10,000 per interest. The offering is to be made by Abingdon Realty Fund, a New York limited partnership, which is the general partner of Associates.

Associates is a limited partnership organized under New York law in September 1962 with Abingdon Realty as the general partner and Nathaniel Singer as the original limited partner. It was formed for the

purpose of acquiring title to the land and building located in Cincinnati, Ohio known as The Belvedere Apartments. The total purchase price of \$1,325,000 will be met by a \$375,000 cash payment and by obtaining a first mortgage from The Connecticut Mutual Life Insurance Company in the amount of \$950,000. The general partner gave a \$50,000 deposit and has assigned its interest in the purchase contract to the partnership, for which it has been credited with a \$75,000 contribution to the capital of the partnership. The net proceeds from the sale of interests will be applied to the cash purchase price of the property, to pay the general partner for the deposit, to pay expenses of the general partner (\$55,500), and to pay a brokerage fee for obtaining the first mortgage loan (\$9,500). The general partner will receive an annual fee of \$5,000 for managing the property and partnership affairs. Edward Singer, Leon Slade and Fred J. Antkies are the general partners of Abingdon Realty.

WALTHAM ASSOCIATES FILES FOR OFFERING. Waltham Associates, 66 Court St., Brooklyn, N. Y., filed a registration statement (File 2-20790) with the SEC on October 1st seeking registration of \$525,000 of limited partnership interests, to be offered for public sale at \$5,000 per interest. No underwriting is involved.

Waltham is a limited partnership organized under New York law in July 1962 with Arthur Gilbert and Charles O. Brownman as general partners and Elias Margaretten and Jerome Gilbert as limited partners. The partnership has acquired by assignment from Waltham Motor Inn, Inc. (a company wholly-owned by the general partners) an agreement providing for a 99 year lease on a 5½ acre parcel located in Waltham, Mass., upon which will be constructed a 104-room motor inn at a total cost of \$950,000. Under the terms of an agreement with Paino-La Ceva Realty Trust, owners of the premises, the partnership is required to advance all construction costs in excess of \$650,000 (to be paid by Paino) for which the partnership will receive a second mortgage on the premises. Of the net proceeds from the sale of the interests, \$300,000 will be used to cover the partnership's portion of construction costs, \$100,000 for furniture and accessories, and \$75,000 for working capital. In addition, the general partners will receive \$25,000 in cash and \$25,000 in limited partnership interests for their promotional efforts and assignment of the lease to the premises. The partnership will operate the inn under the supervision of the general partners who will each receive \$12,500 per year for such services to the partnership.

SOUTHERN CALIF. EDISON PROPOSES BOND OFFERING. Southern California Edison Company, 601 West Fifth St., Los Angeles, filed a registration statement (File 2-20791) with the SEC on October 1st seeking registration of \$50,000,000 of first and refunding mortgage bonds (series P) due 1987, to be offered for public sale at competitive bidding. Of the net proceeds from the bond sale, \$32,823,900 will be used to redeem \$32,400,000 of first and refunding mortgage bonds (series of 3s) due 1965 (\$108,000,000 now outstanding); and the balance will become treasury funds and applied, together with other funds, to the company's 1962-63 construction program (estimated at \$296,148,000).

AMERICAN T & T PROPOSES DEBENTURE OFFERING. American Telephone and Telegraph Company, 195 Broadway, New York, filed a registration statement (File 2-20796) with the SEC on October 2d seeking registration of \$250,000,000 of debentures due 1996, to be offered for public sale at competitive bidding. The net proceeds from the debenture sale will be used for advances to subsidiary and associated companies, for the purchase of stock offered for subscription by such companies, for extensions, additions and improvements to its own telephone plant, and for general corporate purposes. Construction expenditures for 1962 are estimated at about \$3 billion.

SECURITIES ACT REGISTRATIONS. Effective October 3: Continental Telephone Co. (File 2-20159).

*As estimated for purposes of computing the registration fee.

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