SECURITIES AND EXCHANGE COMMISSION

NEWS DIGEST

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

(In ordering full text of Releases from Publications Unit, cite number)

Washington 25, D.C.

FOR RELEASE February 9, 1959

Statistical Release No. 1583

The SEC Index of Stock Prices, based on the closing prices of 265 common stocks for the week ended February 6, 1959, for the composite and by major industry groups compared with the preceding week and with the highs and lows for 1958 and 1959, is as follows:

	1939 = 100			1958 - 1959	
	2/6/59	1/30/59	Percent Change	High	Low
Composite	400.1	408.4	-2.0	413.2	299.0
Manufacturing	492.2	504.8	-2.5	511.5	373.3
Durable Goods	457.8	470.0	-2.6	476.6	332.2
Non-Durable Goods	514.3	527.2	-2.4	534.8	402.2
Transportation	346.0	349.3	-0.9	356.3	219.7
Utility	211.3	212.4	-0.5	216.3	155.5
Trade, Finance & Service	391.6	397.2	-1.4	404.8	263.2
Mining	350.2	350.1	0.0	360.4	261.3

ADVANCE: Following for Release Morning Newspapers of Tuesday, February 10, 1959:

SEC ISSUES DECISION IN LOEB, RHOADES-DOMINICK CASE

The Securities and Exchange Commission today announced the issuance of its decision (Release 34-5870) in the administrative proceedings under the Securities Exchange Act of 1934 involving Carl M. Loeb, Rhoades & Co. and Dominick & Dominick, New York broker-dealer firms. In an order dated December 12, 1958, the Commission found that both firms had violated the prohibitions of Section 5(c) of the Securities Act of 1933 by making a public offering of Arvida Corporation common stock in advance of the filing of a registration statement by Arvida. However, because of mitigating circumstances, the Commission concluded that it was not necessary in the public interest to revoke their broker-dealer registrations or to suspend or expel them from membership in the National Association of Securities Dealers, Inc.

On the same date, December 12, 1958, a decree was entered in the United States District Court for the Southern District of New York against the two firms, as well as Arvida and certain individuals, permanently enjoining them from further violations of Section 5(c) of the Act in the offering of the common stock or other securities of Arvida. The defendants consented to the entry of this judgment. The Court concluded that, although the defendants appeared to have acted in good faith and to have had no intention to violate the Securities Act, and although they continued to deny that their activities violated the Act, their activities nevertheless constituted a violation of Section 5(c) of the Act.

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In its opinion, the Commission discussed the prohibitions in the Securities Act against offerings of securities in advance of the filing of the registration statement. One of the cardinal purposes of the Securities Act, the Commission commented, was to slow down the process of rapid distribution of corporate securities, at least in its earlier and crucial stages, in order that dealers and investors might have access to, and an opportunity to consider, the disclosure of material business and financial facts of the issuer provided in registration statements. Under the practice existing prior to the enactment of the statute in 1933, dealers made blind commitments to purchase securities without adequate information, and in turn, resold the securities to an equally uninformed investing public. The entire distribution process was often stimulated by sales literature designed solely to arouse interest in the securities and not to disclose material facts about the issuer and its securities. It was to correct this situation that the Securities Act originally prohibited offers to sell as well as sales prior to the effective date of a registration statement and imposed a 20-day waiting period between the filing and the effective date.

During this 20 day waiting period, the Commission encouraged the dissemination of information contained in the registration statement. However, there was concern that such dissemination might be held to constitute an offer of the securities during the waiting period, which was then illegal. Accordingly, the law was amended in 1954 so as to provide that, during the period between the filing and effective date of the registration statement, offers (but not sales) could be made, but written offers could be made only by documents prescribed or processed by the Commission. However, the strict prohibition of offers prior to the filing of the registration statement was continued. Thus, Congress prescribed the period during which and a procedure by which information concerning a proposed offering may be disseminated to dealers and investors. "This procedure is exclusive," the Commission stated, "and cannot be nullified by recourse to public relations techniques to set in motion or further the machinery of distribution before the statutory disclosures have been made and upon the basis of whatever information the distributor deems it expedient to supply."

As indicated, the Commission ruled that the Loeb-Rhoades and Dominick firms had offered Arvida stock in advance of the filing of a registration statement for the stock and, therefore, in violation of Section 5(c). The unlawful offer consisted of a September 19, 1958, press release which emanated from the two firms, who were to serve as underwriters for the Arvida stock offering. The Commission concluded that "publicity, prior to the filing of a registration statement by means of public media of communication, with respect to an issuer or its securities, emanating from broker-dealer firms who as underwriters or prospective underwriters have negotiated or are negotiating for a public offering of the securities of such issuer, must be presumed to set in motion or to be a part of the distribution process and therefore to involve an offer to sell or a solicitation of an offer to buy such securities prohibited by Section 5(c)."

"What is presented in this case," the Commission observed, "is no mere technical controversy as to the time and manner of public disclosure concerning significant business facts. On the contrary, the issue vitally concerns the basic principle of the Securities Act that the health of the capital markets requires that new issues be marketed upon the basis of full disclosure of material facts under statutory standards of accuracy and adequacy and in accordance with the procedural requirements of Section 5. If actual investment decisions may be brought about by press releases, then compliance with the registration requirements may be reduced to little more than a legal formality having small practical significance in the marketing of new issues."

Comparison of the September publicity with the final prospectus of Arvida "illustrates the wisdom of the Congressional prohibition against pre-filing publicity," the Commission observed. "Wholly omitted from the release and withheld from reporters were the essential financial facts of capitalization, indebtedness and operating results which are so material to any informed investment decision. The great acreage owned by Arvida was stressed without disclosing that the bulk of it was in areas remote in time and distance from the development which was also stressed. Obscured also was the probably use of much of the proceeds of the financing, not to develop the properties but rather to discharge mortgage debt. As is so often the case, the impression conveyed by the whole is more significant than the individual acts of omission. From the publicity investors could, and no doubt many did, derive the impression that the risk and financing requirements of this real estate venture had been substantially satisfied by /Arvida's chairman/ and

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that the public was being invited to participate in reaping the fruits through early development. In fact, as clearly appears from the final prospectus, much of the risk remains to be taken and much of the financing essential to the issuer's business remains to be carried out."

In determining not to impose any penalty, the Commission took into account the reputation of the two firms and the fact that they have never before been the subject of disciplinary proceedings before it; the fact that the Court found that they acted in good faith and in reliance upon the opinion of counsel; and the absence of any evidence of injury to investors, "since the publicity attendant upon our actions and the steps taken to disseminate the facts disclosed in the registration statement . . . should have been adequate to dispel the effect of the unlawful release." Furthermore, the Commission observed: "These proceedings and the judgment of the Court in the injunctive action we commenced have served to place registrants and the securities industry upon unmistakable notice of their obligations in the field of publicity and forcibly to direct the attention of registrants to the consequences of improper practices in this area."

(TO THE PRESS: Copies of foregoing available in all SEC Regional and Branch Offices)

WALNUT GROVE PRODUCTS FILES FINANCING PROPOSAL

Walnut Grove Products Company, Inc., Atlantic, Iowa, filed a registration statement (File 2-14733) with the SEC on February 6, 1959, seeking registration of $500,000 of 6% Sinking Fund Debentures, Series B, due 1969, to be offered for public sale at 100% of principal amount through The First Trust Company of Lincoln, Nebr. The underwriting commission is 6%.

The company is engaged primarily in the formulation, manufacture and sale of a complete line of livestock feed supplements, minerals and pre-mixes. Net proceeds of this financing will be added to the funds of the company and will be devoted primarily to capital improvements, either by additions to its present plants or by construction of new facilities, or both. These expenditures are estimated at $1,000,000. The company is negotiating for an increase of $500,000 in its 6% First Mortgage Loan, which funds when obtained will be devoted to such capital improvements.

SURVEILLANCE FUND FILES FOR OFFERING

Surveillance Fund, 1959, Ltd., 500 Mid-America Bank Bldg., Oklahoma City, filed a registration statement (File 2-14734) with the SEC on February 6, 1959, seeking registration of $300,000 Participations in Capital as Limited Partnership Interests.

The Fund is a limited partnership, recently organized, with the Fund as a general partner, and K. E. McAfee as limited partner, and with the right to admit additional limited partners. The Fund is authorized to engage in the oil business; and it is contemplated that the funds subscribed by investors plus those subscribed by the organizers will be employed in the acquisition and exploration of oil and/or gas properties. It is proposed to employ most of the funds to subscribe to and acquire a participation in the Mid-America Minerals, Inc. 1959 Fund. The latter filed a registration statement on January 19, 1959 (See News Digest of 1/20/59) for an offering of 100 Units of Participations in Oil and Gas Fund at $15,000 per unit. The Surveillance Fund prospectus lists W. W. Whiteman, Jr. as president.

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State Bond and Mortgage Company, New Ulm, Minn. investment company, filed an amendment February 6, 1959 to its registration statement (File 2-11838) seeking registration of an additional $1,000,000 of Accumulative Certificates Series 108, $10,000,000 of Accumulative Certificates Series 115, and $10,000,000 of Accumulative Certificates Series 120.

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