

**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 March 17, 1961

**CORINTO MARINE STOCK 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 Corinto Marine Corporation, of 24 State Street, New York.

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 October 6, 1959, Corinto proposed the public offering of 300,000 common shares at \$1 per share. In its suspension order the Commission asserts that it has reasonable cause to believe that the exemption was not available because, when computed in accordance with the requirements of the Regulation the aggregate offering price of the shares exceeded the \$300,000 limitation; that certain terms and conditions of Regulation A were not complied with; and that the issuer failed to cooperate with the Commission by reason of its refusal to respond to numerous requests of the Commission's staff with respect to amendment of the filing.

According to the order, Corinto's notification failed to disclose T. E. Bradley & Company as an affiliate, failed to reflect the granting of options within one year to company officials and directors, failed to disclose the offering of the optioned shares or the additional shares subject to future option, and failed to furnish the required consent of counsel; and its offering circular failed to name Thomas E. Bradley as a promoter and to include a reasonably itemized statement of the purposes for which the net cash proceeds of the stock offering were to be used and the order of priority thereof.

**COMMITTEE OIL HEARING REQUEST GRANTED.** On request of the company, the Commission has scheduled a hearing for April 12, 1961, in its Denver Regional Office on the question whether to vacate or make permanent the Commission's order of March 7, 1961, temporarily suspending a Regulation A exemption from registration with respect to a proposed public offering by Committee Oil Co., of Denver, of \$299,988 of securities, consisting of 16,666 units each comprised of a \$15 debenture and 3 common shares. The suspension order asserted, among other things, that the company's offering circular was false and misleading in respect of certain material facts.

**OHIO EDISON STOCK OPTION PLAN APPROVED.** The SEC has issued an order under the Holding Company Act (Release 35-14391) authorizing Ohio Edison Company (Akron) to adopt a Restricted Stock Option Plan for its key executive employees and those of its subsidiary, Pennsylvania Power Company. The plan will be submitted for approval of Ohio Edison stockholders at a meeting to be held April 27, 1961. Under the plan, Ohio Edison would be authorized to issue options for the purchase of up to 125,000 shares of its authorized and unissued stock, or about .98% of the 12,773,498 shares issued and outstanding. The plan is subject to various conditions and restrictions, including a provision that not more than 25% of the shares reserved under the plan may be optioned to officers, that the exercise price of optioned shares shall be the fair market value thereof at the time the option is granted, subject to adjustments under certain conditions, the aggregate price of shares optioned to any one optionee must be paid in cash upon the exercise of the option and may not exceed 150% of his regular annual cash compensation, the term of any option shall not exceed seven years, no option may be exercised within the first twelve months, and the plan shall terminate four years after approval by stockholders.

**CENTRAL AND S. W. LOANS TO SUBSIDIARIES APPROVED.** The SEC has issued an order under the Holding Company Act (Release 35-14390) authorizing Central and South West Corporation, Chicago holding company, to purchase from time to time during 1961 an aggregate of \$7,100,000 of promissory notes of subsidiaries, as follows: Central Power and Light Company, \$2,600,000; Public Service Company of Oklahoma, \$1,000,000; and Southwestern Electric Power Company, \$3,500,000. The funds will be used by the subsidiaries to finance temporarily a portion of their respective construction programs.

**ISRAEL DEVELOPMENT DEBENTURE SALE CLEARED.** The SEC has issued a decision under the Investment Company Act (Release IC-3214) granting an application of Israel Development Corporation, New York investment company, for an exemption from Section 18(c) of the Act with respect to its issuance and sale of \$3,000,000 of debentures due 1976 while it has outstanding \$1,625,000 of bank loans secured by the pledge of various securities. The exemption order is subject to the condition that the bank loans be eliminated not later than August 22, 1962, and that thereafter, while the proposed debentures are outstanding, the company does not issue or sell any senior security representing indebtedness containing a preference or priority over such debentures in the distribution of its assets or in respect of the payment of interest.

**FINDING OF CAUSE OF VIOLATION AFFIRMED.** The SEC has issued a supplemental decision (Release 34-6498) affirming an earlier finding that Leonard A. Kahn, a salesman had aided and abetted that firm in its offer and sale of stock of Sports Arenas (Del.) Inc. in violation of the anti-fraud provisions of the Federal securities laws. The firm's broker-dealer registration was revoked on February 6, 1961, and Kahn and eight other salesmen were each found to be a cause of the revocation order. Kahn petitioned for rehearing, and the Commission

OVER

reaffirmed its earlier conclusion that Kahn "either knew there was no adequate basis for the optimistic statements" he made or he was "grossly careless or indifferent as to the existence of an adequate basis" for his statements, that he willfully violated or aided and abetted in registrant's willful violations of the designated anti-fraud provisions, and that he was a cause of the revocation of registrant's broker-dealer registration.

In discussing certain assertions made by Kahn in mitigation, the Commission stated that its action does not mean that he is barred from employment by another firm in a supervised capacity upon an appropriate showing, including evidence of good conduct subsequent to the conduct on which its decision is based.

**DAVIS - UNITED SECURITIES REGISTRATION REVOKED.** The SEC has revoked the broker-dealer registration of William Evan Davis, doing business as United Securities Company, Tulsa, Okla., by reason of the sale of securities by Davis at unfair prices and other violations of the Federal securities laws. Davis waived a hearing, admitted certain securities violations, and consented to the revocation order.

In a unanimous decision written by Commissioner Hastings (with Commissioner Frear not participating), the Commission ruled that during the period August 1959 to March 1960 Davis effected numerous sales of securities to customers at prices which were excessive and not reasonably related to the current market prices therefor, while concealing from the customers information regarding the prevailing market prices for the securities. A schedule of more than 70 such transactions shows that the prices charged by Davis in these transactions, representing mark-ups ranging from 12% to 66% over the contemporaneous high-asked prices for the shares, were "clearly excessive" and violated his obligation to treat his customers fairly.

According to the decision, Davis also extended credit in about 20 purchase transactions in violation of the provisions of Regulation T, by reason of his failure to liquidate or cancel the transactions when payment was not received within seven days after the date of purchase, and failed to maintain adequate records from which a trial balance reflecting his financial condition could be prepared, thus violating the SEC record-keeping requirements.

**NYSE PROPOSES TO DELIST FIVE STOCKS.** The SEC has issued orders under the Securities Exchange Act (Release 34-6502) giving interested persons until March 31, 1961, to request a hearing upon applications of the New York Stock Exchange to delist the \$1.25 cumulative prior preference stock of Robert Reis & Co., due to the reduced market value and distribution of the shares; the capital stock of The Francisco Sugar Company and the common stocks of Manati Sugar Company and Vertientes-Camaguey Sugar Company of Cuba, due to the company's failure to publish or submit to shareholders a statement of financial condition for their fiscal years ending in September and October 1960; and the common stock of General Realty & Utilities Corp., now in the process of liquidation and dissolution.

**MIDWEST EXCHANGE TO DELIST LAMSON & SESSIONS STOCK.** The SEC has issued an order (Release 34-6502) giving interested persons until March 31, 1961, to request a hearing upon an application of the Midwest Stock Exchange to delist the common stock of The Lamson & Sessions Co. by reason of the fact that there has been no trading in the stock on said Exchange since 1958. The stock remains listed on the American Stock Exchange.

**DELISTING OF TWO STOCKS APPROVED.** The SEC has issued orders (Release 34-6502) granting applications of the New York Stock Exchange to delist the common stocks of Detroit, Hillsdale & South Western Railroad Co. and Mojud Co., Inc., effective at the close of the trading session on March 28, 1961, by reason of the termination of transfer facilities in New York for the Railroad Co. stock and the sale of the assets of Mojud Co. to Kayser-Roth Corporation.

**CTS CORP. FILES FOR OFFERING AND SECONDARY.** CTS Corporation, 1142 West Beardsley Avenue, Elkhart, Ind., filed a registration statement (File 2-17735) with the SEC on March 16, 1961, seeking registration of 300,000 shares of common stock, of which 75,000 shares are to be offered for public sale by the company and 225,000 shares, being outstanding stock, by the present holders thereof. The offering will be made on an all or none basis through underwriters headed by Goldman, Sachs & Co. The public offering price and underwriting terms are to be supplied by amendment. The registration statement also includes 15,000 outstanding shares which are to be sold by the present holder thereof to company employees.

The company is a manufacturer of electronic and electro-mechanical components, its primary product being variable resistors and associated switches. The principal function of a variable resistor is to regulate the flow of current in an electronic circuit. Of the net proceeds from the company's sale of additional stock, \$540,000 will be applied to the prepayment of the 1961 installment of an outstanding 4% promissory note, and the balance will be added to general funds. Such amounts will then be applied, to the extent of \$675,000, for plant expansion, new product tooling and equipment, automation of existing equipment, and additional research and development equipment and facilities. The balance will provide additional working capital for carrying inventories and accounts receivable.

In addition to certain indebtedness, the company has outstanding 1,372,003 shares of common stock, of which John G. Best, board chairman, and Basil S. Turner, president, own 414,884 and 181,950 shares, respectively, and propose to sell 40,000 shares each. George M. Cooper, Wilbert H. Budd and Arthur M. Daily, vice presidents, own 103,380, 121,380, and 123,480 shares, respectively, and propose to sell 40,000 shares each. St. Joseph Valley Bank (as executor of the estate of William A. Nicely) owns 114,578 shares and proposes to sell 40,000 shares.

**RED STAR YEAST CO. PROPOSES DEBENTURE OFFERING.** Red Star Yeast and Products Company, 221 East Buffalo St., Milwaukee, Wisconsin, filed a registration statement (File 2-17736) with the SEC on March 16, 1961, seeking registration of \$1,000,000 of Convertible Subordinated Debentures, due 1976, to be offered for public sale through Loewi & Co., Incorporated. The interest rate, public offering price and underwriting terms are to be supplied by amendment.

The company produces yeast products under the trade name "Red Star" which include commercial baker yeast, consumer yeast for home baking, and nutritional feed and food yeast for the pharmaceutical, food and animal feed industries. In March 1961, the company added the production of hotel, restaurant and institutional food products to its product line by the purchase of the operating assets of Universal Foods Corporation, of Chicago. The net proceeds from the debenture sale will initially be added to general funds for use as working capital. It is anticipated that part of such proceeds may be used at a later date in connection with the diversification of the company's product lines and its acquisition program.

In addition to certain indebtedness, the company has outstanding 236,586 shares of common stock, of which Universal Foods Corp. of Chicago, owns 31,800 shares and management officials as a group 24,720 shares. Although only Universal Foods owns in excess of 10% of the outstanding stock, the prospectus states that the common stock of the company "is closely held" and the members of a number of family groups own in excess of 10% of the common stock. Russell D. L. Wirth is listed as president.

**FILTORS FILES FOR OFFERING AND SECONDARY.** Filtors, Inc., 30 Sagamore Hill Drive, Port Washington, N.Y. filed a registration statement (File 2-17739) with the SEC on March 16, 1961, seeking registration of 271,000 shares of common stock, of which 122,000 shares are to be offered for public sale by the company and 149,000 shares, being outstanding stock, by the present holders thereof. The offering will be made at \$7 per share through underwriters headed by Dempsey-Tegeler & Co., which will receive a 70¢ per share commission. Nine stockholders have granted the principal underwriter options to purchase an aggregate of 25,680 common shares at the initial exercise price of \$7.70 per share.

The company is engaged primarily in the design, manufacture and sale of subminiature and microminiature hermetically sealed relays of a variety of types. Through its Seal-A-Metic Co. division, acquired in December 1960, the company also designs, manufactures and sells glass-to-metal seals used in hermetically sealed transistors, relays and similar products. The net proceeds from the company's sale of additional stock will be added to general funds and will be available for general corporate purposes, including increased working capital. It paid \$150,000 for the assets of Seal-A-Metic, and proposes to purchase land in Huntington (NY) for \$195,000 and to invest about \$125,000 in additional equipment and the carrying of larger inventories for the Seal-A-Metic Co. division. The additional working capital will also be available to meet the expenses to be incurred in constructing and equipping a proposed new plant in Huntington (estimated at \$650,000 in addition to the cost of the land).

In addition to certain indebtedness, the company has outstanding 628,000 shares of common stock, of which Lloyd Aspinwall, Jr., president, owns 266,000 shares and management officials as a group 489,000 shares. Edwin H. Luchs, a director, and Cecil P. Molyneux own 136,000 and 108,000 shares, respectively, and propose to sell 69,000 and 80,000 shares, respectively.

**H. & A. SELMER FILES FOR OFFERING.** H. & A. Selmer, Inc., 1119 North Main Street, Elkhart, Ind., filed a registration statement (File 2-17740) with the SEC on March 16, 1961, seeking registration of 40,000 shares of common stock, to be offered for public sale on an all or none basis through Clark, Dodge & Co. The public offering price and underwriting terms are to be supplied by amendment.

The company manufactures, imports and distributes wind bank instruments, and cases, accessories and supplies for such instruments. The net proceeds from the stock sale will be used for working capital and normal expansion purposes.

In addition to certain indebtedness and preferred stock, the company has outstanding 263,825 shares of common stock, of which Joseph M. Grollmund, board chairman, owns 74,500 shares, Jack F. Feddersen, president, 73,625 shares, and John M. Brodhead, a vice president, 52,825 shares.

**MARINE MIDLAND FILES STOCK PLANS.** Marine Midland Corporation, 241 Main Street, Buffalo, New York, filed a registration statement (File 2-17743) with the SEC on March 16, 1961, seeking registration of 447,644 shares of common stock, to be offered to employees pursuant to the company's Stock Purchase Plan and Stock Option Plan.

**PETER E. SAHADI SENTENCED.** The SEC Boston Regional Office announced March 13th (LR-1943) that Peter E. Sahadi of Bristol, Conn., had been sentenced (by USDC, Conn.) to four years' imprisonment, five years' probation and a \$2,000 fine on his plea of guilty on February 17th to one count of an indictment charging fraud in the sale of stock of Texas Building Company. Execution of jail sentence suspended. Another defendant, Anthony Massa, formerly of Derby, Conn., also pleaded guilty but died on March 7th prior to final disposition of the case.

**SENTENCED IMPOSED AGAINST THREE.** The SEC Atlanta Regional Office announced March 14th (LR-1944) that three defendants convicted of fraud in the sale of Continental Underwriters, Inc., stock had received sentences (USDC, ND, Ga.) as follows: Leon A. Cohen and Walter W. Thrailkill, to serve three years in prison followed by two years' probation, and Robert E. Sherwood, to serve a year and a day.

**HERMON HANSON OIL 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 proposed public stock offering by The Hermon Hanson Oil Syndicate, Inc., Underwood, N. Dak.

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 February 2, 1961, the said Syndicate proposed the public offering of 43,000 common shares at \$1 per share. In its suspension order, the Commission asserts that it has reasonable cause to believe that certain terms and conditions of Regulation A were not complied with; that the Syndicate's offering circular is false and misleading in respect of certain material facts;

and that the stock offering would violate the anti-fraud provisions of the Act. The order schedules the matter for hearing on April 10, 1961, in the Commission's Denver Regional Office for the purpose of taking evidence on the question whether the suspension should be vacated or made permanent.

The Commission's order challenges the accuracy and adequacy of the disclosure in the Syndicate's offering circular with respect to the geological aspects of its properties; the fact that no oil or gas in commercial quantities has been found within 150 miles thereof, that many dry holes have been drilled between the Syndicate's properties and the nearest commercially producing area; the speculative features of the offering, including the fact that the \$1 per share offering price is essentially an arbitrary price having no direct relation to underlying asset values, that public investors are asked to furnish the total funds required to drill a wildcat well for only a 7% interest in the company, and that the initial well must yield about 14 times the amount sought from the public plus all operating and development costs, in order for the investor to realize a return of his investment; the financial condition of the Syndicate in view of the accumulated deficit of \$747,800 as of October 31, 1960, net losses of \$8,000 for the year ended October 31, 1960, and of \$40,100 for the ten months ended October 31, 1959, and the fact that as of October 31, 1960, its assets amounted to \$8,738 and its liabilities \$32,187.

The order also asserts that the Syndicate's offering circular fails to disclose, with respect to its contemplated exploration for oil based on the use of an "Attractometer," that there is no scientific basis for locating oil by such method. (It is to be noted in this connection that in a 1937 decision, the Commission issued a "stop order" against a registration statement filed by the Syndicate based in part upon statements therein concerning a prediction of future production of oil resulting from an examination of properties by means of a "doodlebug." In that decision, the Commission ruled that "any registrant which bases predictions upon such an instrument must clearly and without camouflage show that the divining instrument is not considered by any recognized authority to be of any use whatsoever in locating oil or other minerals.")

DAN CREEK HYDRAULIC PLACER MINES, INC. The Commission also has issued an order temporarily suspending a Regulation A exemption from Securities Act registration with respect to a public offering of 300,000 common shares at \$1 per share by Dan Creek Hydraulic Placer Miners, Inc., of 500 Wall St., Seattle, Wash. The order asserts that the company failed to comply with Regulation A by reason of its failure to file reports of stock sales pursuant to the exemption and of the use to which the proceeds were applied. The order provides an opportunity for hearing, upon request, on the question whether the suspension should be vacated or made permanent.

AUTOMATION-ENGINEERING HEARING REQUEST GRANTED. On request of Automation-Engineering Corporation, 719 North Carson St., Carson City, Nevada, the Commission has scheduled a hearing for April 20, 1961, in its San Francisco Regional Office on the question whether to vacate, or make permanent, an order of June 8, 1960, temporarily suspending a Regulation A exemption from registration under the Securities Act with respect to a public offering of 150,000 common shares at \$1.50 per share by Automation-Engineering. The suspension order asserted among other things that the company's offering circular was false and misleading in respect of certain material facts.

SECURITIES ACT REGISTRATIONS. Effective March 17: Aeroquip Corporation (File 2-17438); Nytronics, Inc. (File 2-17530); Hoover Ball & Bearing Company (File 2-17563). Withdrawn March 17: Model Finance Service, Inc. (File 2-16639).

---ooo0ooo---