

NEWS DIGEST

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



Washington 25, D.C.

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

FOR RELEASE May 10, 1961

VIOLATIONS CHARGED TO CHAMPION & CO., INC. The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether Champion & Co., Inc., 850 Towers Bldg., Little Rock, Ark., engaged in transactions which operated as a "fraud and deceit" upon investors and otherwise violated provisions of the Federal securities laws and, if so, whether its broker-dealer registration should be revoked.

Champion & Co. has been registered with the Commission as a broker-dealer since April 23, 1960. William Albert Champion is president and a controlling stockholder; Stanley Hewitt Wozencraft is executive vice-president; Carl Edward Chapman is vice president; and William Hartwell Ramsey is secretary-treasurer.

The Commission asserts in its order that during a period of several months ending October 25, 1960, Champion & Co., Champion and Chapman offered and sold stock of Southland Securities Life Insurance Co. and Champion & Co., Champion and Wozencraft the stock of Special Situations, Inc., by means of false and misleading representations of material facts, including (a) the market price of Southland stock, the availability of the stock for delivery, and the use of the purchase price paid by customers for purchase of Southland stock and (b) the business prospects of Special Situations, the current price of its stock, and the existence of a market for ready resale of such stock. The order also asserts (1) that Champion & Co., Champion and Chapman induced certain persons to purchase Southland stock and accepted payments therefor, but did not purchase and deliver the stock and appropriated the monies received to their own benefit; (2) that Champion & Co., Champion and Chapman represented in the sale of Southland stock that the shares were being sold at prices reasonably related to the prevailing market price for the shares when, on the contrary, the shares were sold at prices far in excess of prevailing market prices; (3) that Champion & Co. in the sale of Special Situations stock failed to disclose the fact that the two companies were under common control and (with Champion and Ramsey) failed to issue written notifications to purchasing customers disclosing the capacity in which Champion & Co. acted in such transactions; and (4) that Champion & Co., aided in part by Champion and Ramsey, engaged in the conduct of a securities business in violation of the Commission's net capital rule, failed to make and keep current certain books and records, as required by Commission rules, filed a false and misleading report of financial condition by reason of its failure to disclose liabilities to customers for the delivery of stock which had been paid for but not delivered to customers, and failed to amend the company's registration application to disclose that it had moved its principal place of business from 850 Towers Building in Little Rock.

A hearing will be held, at a time and place later to be announced, to take evidence on the foregoing matters.

SOUTHERN ELECTRIC GENERATING PROPOSES BOND OFFERING. Southern Electric Generating Company, 600 North 18th Street, Birmingham, Ala., filed a registration statement (File 2-18084) with the SEC on May 8th seeking registration of \$20,000,000 of First Mortgage Bonds, Series due 1992, to be offered for public sale at competitive bidding. The net proceeds from the bond sale, together with \$2,000,000 received subsequent to March 31, 1961 from the sale of 20,000 shares of common stock, will be used to pay \$18,000,000 of bank loans incurred for construction purposes, to further such construction and for other corporate purposes. The estimated cost of the company's construction program, including a four-unit generating station, three transmission lines and two coal mines, is about \$157,500,000. Of such amount, construction costs of \$114,887,931 had been incurred prior to January 1, 1961 and \$123,019,222 prior to April 1, 1961. Construction costs for the last three quarters of 1961 are estimated at \$25,219,000 and for 1962 at \$9,152,000.

GROWTH PROPERTIES FILES FOR STOCK OFFERING. Growth Properties, Suite 418, Albert Building, San Rafael, Calif., filed a registration statement (File 2-18085) with the SEC on May 9th seeking registration of 100,000 shares of common stock, to be offered for public sale through underwriters headed by Pacific Coast Securities Company. The public offering price and underwriting terms are to be supplied by amendment. The registration statement also includes 24,582 common shares which underlie 5-year warrants to be offered to management officials and which are exercisable at from \$10 to \$12 per share.

The company was organized under California law in July 1960. It intends to engage in all phases of real estate activity including the development, construction, operating and leasing of real property. The company raised its initial capital by selling 13,082 common shares to its management officials, of which 2,000 shares were issued for cash at \$9 per share. The remaining 11,082 shares were issued in equal amounts to Edgar T. Lindner, president, and Edward J. Mahoney, Jr., then a director and now a consultant, as partial consideration for the purchase by the company of the Ignacio property, which is located in Marin County, Calif. In exchange for the property, Lindner and Mahoney received a note payable by the company, secured by a deed of trust lien on the Ignacio property, in the principal amount of \$85,593.06, and also received said 11,082 shares on the basis of \$9 per share, the total consideration thus received being \$185,331.06. The company has also purchased for \$201,482.06 a parcel of commercial real property from Utah Construction and Mining Co., located in South San Francisco Industrial Park, which parcel is now leased to and occupied by Rome Cable Corp.; and it has an option, which it intends to exercise, to purchase for \$111,470 another parcel from Utah Construction located in the Industrial Park and now occupied by Gardner-Denver Co. The net proceeds from the stock sale will be used as follows: \$98,905 to pay current notes, other than bank loans (which includes notes issued to Lindner

OVER

and Mahoney); \$75,000 to pay a current bank loan; \$144,800 towards the construction cost of 80 apartment units at the Ignacio property (of a total estimated cost of \$644,800); \$210,000 for installation cost of onsite street and utility improvements at the Ignacio property; \$106,470 to purchase the parcel from Utah Construction; and the balance will be used for additional working capital and operating expenses.

In addition to certain indebtedness, the company has outstanding the 13,082 shares of common stock, of which Lindner and Mahoney own 5,541 shares and management officials own 100%. Lindner and Mahoney also own 5,541 each of the 24,582 warrants.

CONSOLIDATED EDISON OF N.Y. PROPOSES BOND OFFERING. Consolidated Edison Company of New York, Inc., 4 Irving Place, New York, filed a registration statement (File 2-18086) with the SEC on May 9th seeking registration of \$50,000,000 of First and Refunding Mortgage Bonds, Series T, due June 1, 1991, to be offered for public sale at competitive bidding. The net proceeds from the bond sale will become a part of the treasury funds of the company and will be applied to retire short term bank loans, estimated at \$22,000,000, and toward the cost of its construction program. The company estimates that its construction program will involve expenditures for the years 1961 through 1965 of about \$1,150,000,000.

PLASTICON SHARES IN REGISTRATION. Plasticon Corporation, 2212 Foshay Tower, Minneapolis, Minn., filed a registration statement (File 2-18087) with the SEC on May 8th seeking registration of 665,666 shares of common stock, of which 90,666 shares are to be offered for public sale at \$3 per share. No underwriting is involved. An additional 150,000 shares are to be offered for subscription by shareholders of Leyghton-Paige Corporation on the basis of one share for each three shares of Leyghton-Paige, also at \$3 per share. In addition, 400,000 shares are to be offered to holders of the company's \$1,200,000 5% promissory notes due November 1, 1961, pursuant to the terms thereof, and 25,000 shares to Leyghton-Paige at \$3 per share.

The company was organized under Minnesota law in February 1961 to engage in the manufacture of plastic containers by the use of the so-called blow-molding process. Such containers are made of polyethylene plastics and other plastic materials. It is anticipated that the company's principal products will consist of large containers such as brine tanks for water softeners, carboys for chemicals, open top seal tanks, textile containers and missile containers. The net proceeds from the stock sale will be used, to the extent necessary, to discharge the indebtedness represented by the 5% notes of the company as are not paid by the issuance of common shares, and the balance will augment working capital and be used for the acquisition of additional blow-molding machinery, equipment and facilities.

In addition to certain indebtedness, the company has outstanding 34,334 shares of common stock, of which Frank A. Warner, a promoter and director, owns 1,000 shares and Leyghton-Paige 33,334 shares. Such shares were issued to Leyghton-Paige in partial consideration for the transfer to the company of all the assets of Leyghton-Paige used or useful in the manufacture of plastic containers and other plastic products. Such assets included the blow-molding machinery and ancillary equipment, and certain other items of molds and handling equipment. The total consideration for such assets was \$275,382.03, represented by the 33,334 common shares at \$3 per share and the assumption of \$175,380 of liabilities of the transferor. William H. Bein is listed as president of the company.

SCIENCE CAPITAL FILES FOR STOCK OFFERING. Science Capital Corporation, 700 Bankers Securities Bldg., Juniper & Walnut Streets, Philadelphia, Pa., filed a registration statement (File 2-18088) with the SEC on May 9th seeking registration of 450,000 shares of common stock, to be offered for public sale at \$8 per share. The offering will be made on an all or none basis through underwriters headed by Blair & Co., Stoud & Company and Woodcock, Moyer, Fricke & French, which will receive 80¢ per share commission.

The company was organized under Pennsylvania law in March 1961. It is a small business investment company which expects to be licensed in May 1961 under the Small Business Investment Act of 1940, and is registered as a closed-end non-diversified management investment company under the Investment Company Act of 1940. The company's business will consist of furnishing capital, through the purchase of equity and debt securities, to selected small-business concerns engaged principally in the field of applied science and modern technology; making long term loans to such concerns; and providing advisory and management counselling services and rendering specialized financial, administrative and technical assistance to such concerns in which the company has or will invest. The net proceeds from the stock sale will be used to provide such investment capital and management services.

The company has outstanding (as of June, 1961) 41,670 shares of common stock, of which Paul D. Hurwitz, president, Benjamin Fox, vice president, F. William Thacher, Jr., treasurer, and Jacob Serbin and Milton J. Shapp, directors, own 10% each, and management officials as a group 88.51%.

CENTRAL PUBLIC UTILITY FEE PAYMENTS APPROVED. The SEC has issued an order under the Holding Company Act (Release 35-14434) authorizing Central Public Utility Corporation to pay a \$10,000 fee to Reis & Chandler, Inc., for services in connection with proceedings which culminated in a 1959 order exempting Central and its subsidiaries from the Holding Company Act.

PENNSYLVANIA ELECTRIC BOND OFFERING CLEARED. The SEC has issued an order under the Holding Company Act (Release 35-14435) authorizing Pennsylvania Electric Company (Johnstown) to issue and sell \$10,000,000 of bonds due 1991 at competitive bidding. Proceeds will be used for construction purposes and for the payment of notes issued for such purpose.

CAMBRIDGE GROWTH FUND SEEKS ORDERS. Cambridge Growth Fund, Inc., New York investment company, has applied to the SEC for exemption orders under the Investment Company Act with respect to its proposed purchase of stock of Howard Johnson Company and of Microwave Associates, Inc.; and the Commission has issued orders (Release IC-3245 and IC-3246) giving interested persons until May 24th to request a hearing thereon. Howard Johnson previously filed a proposal for the public offering of 660,000 common shares. The Fund proposes to

CONTINUED

purchase about 333 shares at the public offering price (expected to be between \$30 and \$35 per share). Similarly, Microwave Associates has proposed the public offering of 240,000 shares, of which the Fund proposes to purchase about 213 shares at the public offering price (expected to approximate \$47 per share). The purchase in each case is to be made from Laird, Bissell & Meeds, a member of the selling group of underwriters. An employee of that firm is a director of the Fund. Because thereof, the proposed purchases by the Fund is prohibited by the Act unless the Commission finds that the terms of the proposed transactions are fair and grants the requested exemption.

REHER SIMMONS RESEARCH FILES FOR STOCK OFFERING. Reher Simmons Research, Inc., 545 Broad Street, Bridgeport, Conn., filed a registration statement (File 2-18089) with the SEC on May 8th seeking registration of 150,000 shares of capital stock, to be offered for public sale at \$6 per share. The offering will be made on an all or none best efforts basis through McLaughlin, Kaufman & Co., which will receive a 60¢ per share commission and \$8,000 for expenses.

The company was organized under Connecticut law in May 1960 for the purpose of researching further and developing on a commercial basis certain methods, processes and ideas of Eugene C. Simmons, president, and Dorothy M. Reher, vice president, related primarily to the fields of surface and bio-chemistry. The company is still in the promotional and development stage, and the said methods, processes and ideas will require further research and refinement to establish their validity and to develop their commercial feasibility. The most fully developed of the processes which the company proposes to market commercially and the one upon which the company proposes initially to devote the major portion of its efforts is a process for the application of a bonded solid film lubricant to small, miniature or sub-miniature parts. The estimated \$791,100 net proceeds from the stock sale will be used as follows: \$350,000 for plant construction, additional facilities, production equipment, test instrumentation, all relating to the bonded solid film lubricant; and \$441,100 for research and development, development of a sales organization and general working capital.

In addition to certain indebtedness, the company has outstanding 1,000,000 shares of capital stock, of which Simmons and Dorothy Reher beneficially own 210,000 shares each, which they received for their rights to and interests in said processes, methods and ideas. Irving S. Bass, board chairman, owns 313,000 shares, which he received for \$31,300; and 12 other persons own 267,000 shares which they received for a total cash investment of \$26,700. Bass is named as the trustee in certain voting trust agreements dated September 14, 1960, as amended, under which he holds for a period of ten years from the date thereof the shares of the company's capital stock owned by Simmons and Dorothy Reher.

MODERN HOMES CONSTRUCTION FILES FINANCING PLAN. Modern Homes Construction Company, P. O. Box 1331, Valdosta, Ga., today filed a registration statement (File 2-18090) with the SEC seeking registration of \$5,500,000 of subordinated debentures due June 15, 1981 and 550,000 shares of common stock, to be offered for public sale in units each consisting of \$20 of debentures and two common shares. Harriman Ripley & Co. heads the list of underwriters. The interest rate, public offering price of the units and underwriting terms are to be supplied by amendment. The registration statement also includes 100,000 outstanding common shares which the holders thereof have agreed to sell the underwriters for \$5.50 per share.

The company sells, constructs and finances 19 standardized models of shell homes. Over 92% of the company's sale of shell homes has been on a credit basis by which the company receives from the customer a promissory installment note secured by a first mortgage. According to the prospectus, the profitable operation of the company is materially dependent upon the availability, and the cost to the company, of funds to finance such sales, which funds have been made available by commercial finance companies at effective annual interest rates ranging from 10% to 14%. The company intends to finance all of its future sales through a wholly-owned subsidiary, Modern Homes Finance Company, except with regard to certain outstanding commitments. A portion of the net proceeds from the sale of the units will be invested in the finance company and will be used to finance the company's sales. Of the remainder, \$67,726 will be used to retire notes payable to stockholders; \$573,730 to retire outstanding indebtedness, the proceeds of which was used for working capital and to purchase equipment; and the balance for working capital of the company and its subsidiary, Modern Homes Supply Company, to be used for general corporate purposes.

In addition to certain indebtedness, the company has outstanding 1,000,000 shares of common stock (after giving effect to a 100-for-1 split in June 1961), of which Ralph S. DeLoach, president, J. W. Wells, executive vice president, own 33-1/3% each and Melba M. DeLoach, a vice president, and Ruth A. Wells, own 16.7% each. Concurrently with the sale of the units, the company has agreed to exchange 105,508 common shares for all of the outstanding shares of three presently affiliated companies, Modern Homes Insurance Agency, Inc., Modern Home Title Insurance Company, and Modern Home Life Insurance Company.

SECURITIES ACT REGISTRATIONS. Effective May 10: Plastics Corporation of America, Inc. (File 2-17577); Kawacki Chemical Company (File 2-17779); American Financial Corporation (File 2-17790); Anheuser-Busch, Inc. (File 2-17800); Pennsylvania Electric Company (File 2-17813); Frank Paxton Lumber Company (File 2-17814); San Francisco & Oakland Helicopter Airlines, Inc. (File 2-17917). Withdrawn May 10: GPC, Inc. (File 2-17805).