

**NEWS DIGEST**

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



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FOR RELEASE January 10, 1962

**GOVT. EMPLOYEES CORP. PROPOSES DEBENTURE RIGHTS OFFERING.** Government Employees Corporation, Government Employees Insurance Bldg., Washington, D. C., filed a registration statement (File 2-19620) with the SEC on January 8th seeking registration of \$2,675,000 of 4½% convertible capital debentures due 1977. It is proposed to offer such debentures for subscription at 100% of principal amount by common stockholders at the rate of \$100 of debentures for each 7 shares held of record April 6, 1962. No underwriting is involved.

The predominant business of the company and its subsidiaries is the providing of a complete automobile financing service on a nationwide basis. Its clientele is generally restricted to civilian government employees (Federal, State and Municipal), commissioned officers and the top three grades of non-commissioned officers in the Armed Forces, and certain groups of managerial, professional, administrative and agricultural personnel. The \$2,650,000 estimated net proceeds from the debenture sale will be added to general funds to be used to finance expanding business operations. In addition to certain indebtedness, the company has outstanding 186,928 shares of common stock, of which Leo Goodwin, Jr., a director, owns 10.03%, and management officials as a group 25.06%. Leo Goodwin, Sr. is founder chairman and a director, Jerome A. Newman, is board chairman, and Lorimer A. Davidson is president. The board of directors of the company is identical with that of Government Employees Insurance Company, a District of Columbia company which organized the issuer in 1949.

**STOP ORDER SUSPENDS KING ELECTRONICS FILING.** The SEC today announced the issuance of a stop order under the Securities Act of 1933 (Release 33-4439) suspending a registration statement filed by that company ("registrant") in January 1961 which proposed the public offering of 250,000 common shares at \$4 per share, plus an additional 45,187 shares to be offered by present holders thereof. Registrant, which waived a hearing and consented to entry of the order, is engaged principally in the design, development and manufacture of radio frequency connectors.

The Commission ruled that the registration statement "contains untrue and misleading statements of material facts and omits to state required material facts with respect to various matters." Among other things, the Commission stated, the company's prospectus does not adequately and accurately disclose all the following circumstances surrounding registrant's acquisition in January 1961 of two subsidiaries, Aviel Electronics, Inc. and Ecco Electronics Components Corp: Prior to registrant's acquisition, Aviel and Ecco, which were then owned by relatives and associates of Morton R. Weissman ("Weissman"), registrant's president and principal stockholder, had been purchasing products from registrant at prices far less than the prices at which registrant sold the same products to other customers. In addition, registrant held non-interest bearing notes receivable of Ecco payable after one year which had been in the original aggregate amount of \$74,343. Ivan Suss, a nephew of Weissman, in March 1960 had sold to William V. Frankel for \$16,000 certain shares of Aviel which he had acquired in December 1959 for \$2600, and one of the stockholders of Ecco in March 1960 sold to Ecco for \$15,750 stock acquired in 1957 for about \$4750. To induce the exchange of shares of Ecco stock held by Leon Weissman, brother of Weissman, and Samuel L. Sack, a vice-president of registrant, who objected to the exchange, Weissman gave them additional shares of registrant's stock.

Nor did the prospectus properly disclose the following circumstances surrounding the acquisition in December 1959 by Weissman and his sister, Charlotte Suss, of shares of registrant's stock formerly held by Pincus Katzoff and the sale by them of some of these shares to William V. Frankel: Weissman paid Katzoff \$103,000 for 20% of the outstanding shares of registrant's common stock while his sister on the same day paid \$154,000 for the same number of shares. Weissman and his sister almost immediately sold to Frankel for \$236,350 a number of shares equal to 25% of the outstanding shares. In January 1961 Weissman made a gift of 9,092 shares of registrant's common stock to Frankel to offset in whole or in part the excessive price at which stock had been sold to Frankel by Weissman and his sister, it having been the belief of Frankel that he was paying the same price per share as that which they had paid Katzoff.

In addition, among other things, proper disclosure was not made of the following circumstances relating to registrant's sale of scrap metal: During the five fiscal years ended October 31, 1960, registrant recorded on its books sales of scrap metal in the total amount of \$68,617. During this same period registrant sold to one purchaser substantial additional quantities of scrap metal, the proceeds of which were not paid to registrant or recorded on its books but which were instead paid over and delivered personally to certain of the principal officers of registrant. The financial statements and the summary of earnings in the prospectus do not reflect or give effect to the material sums representing these additional proceeds of sales of scrap metals by registrant. Nor do they reflect or give effect to the contingent tax liability, if any, of registrant based on the proceeds of these additional sales of scrap metal. Further, the prospectus does not disclose the existence of a letter of indemnification dated January 12, 1961 and signed by Weissman purporting to indemnify registrant, among other things, against any possible tax liabilities it may incur as a result of the sales of scrap metal for which the proceeds of sales were not recorded on the books and records of registrant.

**PLATALLOY CORP. OTHERS CONVICTED.** The SEC San Francisco Regional Office announced January 5th (Lit-2171) the conviction (USDC Los Angeles) of Douglas M. Todd, M. Dell Lish, and Platalloy Corporation on charges of fraud in the sale of Platalloy securities. Charges involving Mineral Conversion Corporation and Elmer G. Malin were dismissed.

OVER

**WESTERN UNION PROPOSES DEBENTURE OFFERING.** The Western Union Telegraph Company, 60 Hudson Street, New York, today filed a registration statement (File 2-19621) with the SEC seeking registration of \$50,000,000 of sinking fund debentures due 1987, to be offered for public sale through underwriters headed by Kuhn, Loeb & Co. and Lehman Brothers. The interest rate, public offering price and underwriting terms are to be supplied by amendment.

The company is engaged principally in the business of furnishing communications services by wire telegraph and microwave radio throughout the United States and by ocean cable between the United States and foreign countries. The net proceeds from the debenture sale will be used to pay any notes outstanding under a standby credit agreement with banks and for further expansion of plant. According to the prospectus, the company has embarked upon the largest construction program it has ever undertaken, designed to provide it with new and technologically advanced facilities capable of handling the complex and rapidly expanding communications requirements of Government, industry and the public generally. This program of plant expansion and improvement is to reach peak expenditure levels in years 1961-1962 for which \$234,500,000 has been budgeted for gross additions to physical plant. Capital budgets for years 1963-1964 have not been established, but present plans contemplate gross plant additions in those years of about \$140,600,000. Funds for such program, in the amount of \$41,500,000, were raised by the sale of common stock last September. To complete the program, the company estimates that it will require further capital through 1964 in the amount of \$125,000,000 in addition to funds generated from operations. A portion of such projected capital requirements will be obtained from the debenture sale and, during the second half of 1962, an additional \$50,000,000 on an interim basis by bank loans. Said standby credit agreements with ten banks will permit the company, prior to the debenture sale, to borrow \$50,000,000 against 364-day notes and \$50,000,000 against notes maturing serially.

In addition to certain indebtedness, the company has outstanding 7,488,392 shares of common stock, of which management officials as a group own 4.02%. W. P. Marshall is president.

**SECURITIES ACT REGISTRATIONS.** Effective January 9: A & M Instrument, Inc. (File 2-19041). Effective January 10: A.G.E. Funds, Inc. (File 2-19138); American Safety Equipment Corp. (File 2-19068); Authenticolor, Inc. (File 2-18794); Floyd Bennett Stores, Inc. (File 2-18816); Hartfield Stores, Inc. (File 2-18963); Kelly Girl Service, Inc. (File 2-19218); Natural Gas Pipeline Company of America (File 2-19493); Sel-Rex Corp. (File 2-18986); Semicon, Inc. (File 2-18446); West Coast Bowling Corp. (File 2-18198). Withdrawn January 10: Edward H. Ihnen & Son, Inc. (File 2-18123); Lytton Financial Corp. (File 2-17865); Saegertown Glasseals, Inc. (File 2-19007).

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