

# SECURITIES AND EXCHANGE COMMISSION 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 April 13, 1962

**SEC ORDER CITES R. J. HAYES & CO.** The SEC has ordered proceedings under the Securities Exchange Act to determine whether Ralph James Hayes, president of R. J. Hayes & Co., Inc., 27 William Street, New York, violated the Securities Act registration and anti-fraud provisions in the offer and sale of stock of Ultra-Sonic Precision Co., Inc., and, if so, whether an application of Hayes & Co. for registration as a broker-dealer should be denied.

The registration application was filed by Hayes & Co. on February 16, 1962. Its effective date has been postponed until April 26, 1962. The application lists Hayes as president, a director and beneficial owner of 10% or more of the outstanding stock of Hayes & Co. The Commission's order recites charges of its staff that information developed in an investigation tends if true to show (1) that the registration application is false and misleading in its representation with respect to the connection of Hayes with other broker-dealer firms during the past 10 years; (2) that Hayes offered and sold Ultra-Sonic stock in November 1960 in violation of the Securities Act registration requirement; and (3) that in connection with the sale of Ultra-Sonic stock while employed by another broker-dealer firm Hayes engaged in acts and practices "which would and did operate as a fraud and deceit" upon the purchasers in violation of the anti-fraud provisions of said Act. More particularly, the staff alleges that in the offer and sale of such stock Hayes (a) made false and misleading representations of material facts, (b) opened fictitious accounts with his employer and purchased for himself through those accounts a substantial number of shares of Ultra-Sonic stock at the public offering price, (c) misrepresented to his employer in connection with such purchases, the true owner of said fictitious accounts; and (d) opened fictitious accounts with another firm through which he sold the Ultra-Sonic stock to the public at a price substantially above the offering price and, in connection with such sales, failed to furnish the purchasers with an offering circular for the stock.

A hearing for the purpose of taking evidence on the foregoing will be held on April 17, 1962, in the Commission's New York Regional Office. The hearing will first concern itself with the question whether it is in the public interest to postpone the effective date of Hayes & Co.'s registration application pending a determination of the question whether its application should be denied.

**30 NORTH LASALLE ST. FUND EXEMPTED.** The SEC has issued an order under the Investment Company Act (Release IC-3466) declaring that 30 North LaSalle Street Realty Fund of Chicago has ceased to be an investment company.

**GROWTH CAPITAL SEEKS ORDER.** Growth Capital, Inc., Cleveland investment company and a Small Business Investment Company, has applied to the SEC for an exemption order under the Investment Company Act permitting the investment banking firm of McDonald & Company of Cleveland to make a market in Growth Capital stock without subjecting C. B. McDonald, managing partner of that firm and a director of Growth Capital, to possible liability for profits by his firm on its short-swing trading activity in Growth Capital stock; and the Commission has scheduled the matter for hearing on June 4, 1962. According to the application, the market for Growth Capital shares was orderly until February 1961 by reason of the purchase and sale of such shares by McDonald & Company; that McDonald & Company then withdrew from the market because of the possible liabilities under Section 30(f) of the Act to account to the issuer for its short-swing trading profits, following which the market became erratic and subject to wide price fluctuations; that efforts to secure another investment banker to make the market in Growth Capital stock have been unsuccessful; and that Growth Capital does not wish McDonald to resign from its board because of his valuable contributions as a director. Accordingly, exemption from the recovery provisions of Section 30(f) is sought so that McDonald & Company may continue to make a market in Growth Capital stock without risk of liability to account to the issuer for any short-swing profits, subject to the provision, however, that no exemption be afforded for any six month period in which the average profit per share sold exceeds 5% of the average purchase price per share acquired by McDonald & Company.

**UTAH POWER TO ACQUIRE SUBSIDIARY.** Utah Power & Light Company, Salt Lake City, has filed a proposal with the SEC under the Holding Company Act for the purchase of the properties and assumption of the liabilities of its subsidiary, Telluride Power Company, to be followed by the liquidation of the subsidiary; and the Commission has issued an order (Release 35-14625) giving interested persons until April 27th to request a hearing thereon. Telluride is an electric utility company engaged principally in the business of purchasing, generating, transmitting and distributing electric energy in central Utah. Under a plan for its liquidation, Utah Power will purchase all of Telluride's assets which at December 31, 1961, amounted to \$7,650,000, including net utility plant of \$6,892,000. Utah Power will assume all of Telluride's liabilities. In the process, Utah Power's holdings of common and preferred shares of Telluride and \$1,900,000 of its notes will be cancelled. Utah Power also will make capital contributions of about \$2,100,000 to enable Telluride to acquire and retire some \$2,015,000 of outstanding bonds held by six institutional holders.

OVER

**REGISTRATION ACCELERATION POLICY CLARIFIED.** The SEC today issued a statement discussing its efforts to reduce the back-log of Securities Act registration statements. In this connection, it commented on the the necessity for the maintenance of "the statutory standards of disclosure" and for the cooperation of the financial community and the bar to that end. It also reported that it expects to publish from time to time expressions of its views and practices in the processing of statements as an aid to issuers, their counsel and others in the preparation of registration statements, particularly certain actions taken by the Commission from time to time in its consideration of requests for acceleration of the effective dates of registration statements.

In today's announcement (Release 33-4475), the Commission called attention to the civil liabilities imposed by Section 11(a) of the Act upon certain persons named in the registration statement, including every person who, with his consent, is named as being or about to become a director or person performing similar functions; and it observed that where any person has the right to designate a director of a registrant, the registration statement should identify him and include his consent. The Commission has refused acceleration where the person to be so named by an underwriter is not identified and his consent obtained. The Commission also outlined the circumstances under which there may be need for "updating" financial statements and related data in registration statements, including those situations in which later sales and net income data show an adverse trend. Certain companies should update their financial statements if the statement when effective would otherwise include data over four months old. New registrants with no established record of earnings and old registrants (repeat filers) currently showing losses or a weak financial condition should be prepared to bring the financial statements up to the latest practicable date not more than 90 days prior to the filing of the last amendment. Volume statistics, loss experience in insurance companies, bad debt and collection experience in finance, real estate and small loan companies, and similar data should be brought up to date when later financial statements are furnished.

**NEW SECURITIES ACT RULES PAMPHLET AVAILABLE.** A revised pamphlet of the General Rules and Regulations of the Commission under the Securities Act of 1933, as in effect February 1, 1962, is now available for purchase from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C., at 45¢ per copy.

**TRADING BAN IN FOUR STOCKS CONTINUED.** The SEC has issued orders under the Securities Exchange Act suspending trading for additional ten-day periods ending April 23, 24, 24 and 25, 1962, respectively, in the common stock of Precision Microwave Corp. (on the American Stock Exchange), Automated Procedures Corp. (on the National Stock Exchange), Industrial Enterprises, Inc. (on the San Francisco Mining Exchange), and Apex Minerals Corporation (on the San Francisco Mining Exchange), the trading ban extending in all four instances to the over-the-counter market.

**CESSLAND CORP. ON CANADIAN RESTRICTED LIST.** The SEC has added Cessland Corp. Ltd. of Ontario, to its Canadian Restricted List, which is comprised of Canadian companies whose securities the Commission has reason to believe recently have been or currently are being distributed in the United States in violation of the registration requirements of the Securities Act of 1933, thus depriving investors of the financial and other information essential to an informed and realistic evaluation of the worth of the securities which registration would provide. Cessland Gas and Oil Corp. Ltd. has changed its name to Cessland Corp. Ltd. following an amalgamation with Larutan Petroleum Corp. Ltd. and a third company. Both Cessland Gas and Larutan Petroleum were previously carried on the Restricted List.

**CORRECTION RE VENDING COMPONENTS OFFERING.** The SEC News Digest of April 5th reported the filing of a registration statement (File 2-20150) by Vending Components, Inc., of Hackensack, N. J., seeking registration of 100,000 shares of common stock. The item incorrectly stated that there would be a dilution of \$2.77 per share in book equity of shares sold to the public at \$4 per share (book value of 135,000 shares now outstanding being \$1.64 per share), whereas such dilution will amount to \$1.77 per share.

**AEROSYSTEMS TECHNOLOGY FILES FOR STOCK OFFERING.** Aerosystems Technology Corporation, Route 15, Sparta, N. J., filed a registration statement (File 2-20233) with the SEC on April 11th seeking registration of 165,000 shares of common stock, to be offered for public sale at \$3 per share. The offering will be made on a best efforts all or none basis as to 50,000 shares, and best efforts as to the balance, by Chase Securities Corporation, 350 Fifth Avenue, New York, which will receive a 45¢ per share commission and \$16,500 for expenses. The statement also includes (1) 233,925 shares issued to management officials and others for an aggregate of \$38,095.50 in cash and for services rendered, (2) 40,000 shares underlying options issued to four management officials and key personnel, exercisable at \$1 per share, (3) 20,000 shares underlying 5-year options issued to four other management officials, exercisable at \$2 per share, and (4) 6,000 shares subject to purchase by two of said management officials at \$1.10 per share within a 30 day period subsequent to the effective date of this offering. The company has agreed to sell to the underwriter for \$16.50 the right to be issued up to a maximum of 16,500 shares on the basis of one share for each 10 shares sold. A \$2,000 finder's fee is payable to Theodore Pringos.

The company was organized in 1956 under the name Fletch-Aire Company, Inc. primarily to engage in researching basic patentable aero-space concepts set forth by Charles J. Fletcher, president. The company is now engaged or is planning to engage in three main lines of endeavor: (1) the development, manufacture and marketing of proprietary products, such as an inflatable pleunum chamber Ground Effect Machine (Glide-Mobile) and an annular wing aerial jeep, (2) the pursuit of contracts for engineering, development of products and services associated with Defense Department programs, and (3) the pursuit of contracts for the production of specialized aircraft and space vehicle sub-systems as a prime and sub-contractor. The \$420,750 estimated net proceeds from the stock sale will be used for additional facilities, research and development of proprietary products, marketing and sales, and for capital equipment, inventory and general working capital.

The company has outstanding 217,425 shares of common stock (after giving effect to a recent 5-for-1 stock split), of which Fletcher owns 70% and management officials as a group 84%. Fletcher received his shares for certain patents and other property rights. Sale of new stock to the public at \$3 per share will result in an increase in the book value of stock now outstanding from 30¢ to \$1.17 per share with a corresponding dilution of \$1.83 per share in the book equity of stock purchased by the public.

**FLORIDA POWER PROPOSES BOND OFFERING.** Florida Power Corporation, 101 Fifth Street South, St. Petersburg, Fla., filed a registration statement (File 2-20235) with the SEC on April 12th seeking registration of \$25,000,000 of first mortgage bonds due 1992, to be offered for public sale at competitive bidding. Net proceeds from the bond sale will be used to pay temporary bank loans (estimated at \$22,000,000) incurred to meet costs of the company's construction program, and the balance will be applied to its 1962 construction program (estimated at \$39,000,000).

**COLUMBUS AND SOUTHERN OHIO ELECTRIC PROPOSES BOND OFFERING.** Columbus and Southern Ohio Electric Company, 215 North Front Street, Columbus, Ohio, filed a registration statement (File 2-20236) with the SEC on April 12th seeking registration of \$16,000,000 of first mortgage bonds due 1992, to be offered for public sale at competitive bidding. The net proceeds from the bond sale will be added to general funds, which funds will be used to pay all outstanding bank loans (\$8,945,000 on April 2nd), including loans to be incurred to acquire certain facilities of Ohio-Midland Light and Power Company (for \$6,000,000), and to pay in part future expenditures in connection with the company's construction program. Such construction program for 1962-63 is estimated at \$38,700,000 (exclusive of said purchase).

**NEW ENGLAND ELECTRIC PROPOSES RIGHTS OFFERING.** New England Electric System, 441 Stuart St., Boston, filed a registration statement (File 2-20237) with the SEC on April 12th seeking registration of 872,786 shares of common stock. It is proposed to offer such stock for subscription by common stockholders at the rate of one new share for each 15 shares held. No underwriting is involved. The record date and subscription price (maximum \$27 per share\*) are to be supplied by amendment. Unsubscribed shares will be offered for public sale at competitive bidding.

The company is a public utility holding company registered under the Public Utility Holding Company Act of 1935. The net proceeds from the stock sale will be added to general funds and made available to subsidiaries in furtherance of their construction programs, any balance to be used for general corporate purposes. Construction budgets of the company's subsidiaries aggregate \$167,000,000 for the years 1962-64. In addition to certain indebtedness, the company has outstanding 13,091,790 shares of common stock. Irwin L. Moore is board chairman and William Webster is president.

**TENNESSEE CORP. FILES STOCK PLAN.** Tennessee Corporation, 61 Broadway, New York, filed a registration statement (File 2-20238) with the SEC on April 11th seeking registration of \$3,525,000 of participations in its Employees Stock Purchase Plan, pursuant to which 60,000 shares of capital stock may be acquired.

**SUN OIL FILES FOR SECONDARY AND STOCK PLAN.** Sun Oil Company, 1608 Walnut St., Philadelphia, filed a registration statement (File 2-20239) with the SEC on April 12th seeking registration of 238,354 outstanding shares of common stock, which may be offered for public sale by the holders thereof at prices prevailing at the time of sale on the New York and Philadelphia-Baltimore Stock Exchanges. The statement also includes \$8,300,000 of memberships in the company's Stock Purchase Plan for Employees, and 243,000 common shares which may be acquired pursuant to the plan.

The company directly or through its subsidiaries is engaged in substantially all branches of the oil business. It has outstanding 13,829,536 shares of common stock, of which management officials as a group own 14.12%, and Joseph N. Pew, Jr. (board chairman) and two other members of the Pew family own an aggregate of 19.06%. The prospectus lists 20 selling stockholders, owning an aggregate of 3,120,022 shares including Joseph N. Pew, Jr. and J. Howard Pew, a director, who own 922,523 and 914,580 shares, respectively, and may sell 80,000 and 20,000 shares, respectively. Others may sell amounts ranging from 100 to 50,000 shares, the latter by Walter C. Pew, a director (of 397,423 shares owned).

**SEC TO PARTICIPATE IN FARMER'S FEDERATION COOPERATIVE PROCEEDING.** On request of Judge J. B. Craven, Jr., of the U. S. District Court, Asheville, N. C., the SEC has entered its appearance in the Chapter X proceedings for the reorganization of Farmer's Federation Cooperative, Inc., of Asheville. The debtor was organized in 1921 as a farmers supply and marketing cooperative, and operates 21 stores in 19 counties in Western North Carolina, selling farm supplies, appliances and other related products. The balance sheet shows total assets at December 31, 1961, of \$1,788,748, including land, buildings and equipment valued at \$726,029, notes and accounts receivable of \$332,135 and inventories of \$516,132. Total liabilities are listed at \$978,928, including notes and mortgages of \$363,155 and accounts payable of \$577,663. The debtor has outstanding four classes of preferred stock in addition to its common stock, all of which is held by about 6,000 persons. The par value and accumulated, unpaid dividends on the preferred amounts to \$732,785.

**SECURITIES ACT REGISTRATIONS.** Effective April 13: American ReInsurance Company (File 2-19516); Dayton Power & Light Co. (File 2-19997); The Flying Tiger Line Inc. (File 2-19010); Huron-Wheeler-Davidson Associates (File 2-19715); Ira Haupt & Co. (File 2-18031); Lithoid, Inc. (File 2-19334); Newmont Mining Corp. (File 2-19810).

\*As estimated for purposes of computing the registration fee.