

NEWS DIGEST

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

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Washington 25, D.C.

FOR RELEASE August 20, 1962

Statistical Release No. 1846. The SEC Index of Stock Prices, based on the closing price of 300 common stocks for the week ended August 17, 1962, for the composite and by major industry groups compared with the preceding week and with the highs and lows for 1962 is as follows:

	1957-59 = 100		Percent Change	1962	
	8/17/62	8/10/62		High	Low
Composite	120.2	117.1	+2.6	144.3	107.0
Manufacturing	110.9	108.2	+2.5	135.0	98.6
Durable Goods	109.9	106.6	+3.1	135.6	95.2
Non-Durable Goods	111.9	109.8	+1.9	134.4	101.8
Transportation	90.2	88.8	+1.6	111.0	85.5
Utility	161.8	157.5	+2.7	185.5	143.0
Trade, Finance & Service	145.4	139.6	+4.2	178.2	131.4
Mining	92.1	91.8	+0.3	113.3	83.8

SECURITIES ACT REGISTRATION STATEMENTS. During the week ended August 16, 1962, 13 registration statements were filed, 15 became effective, 21 were withdrawn, and 593 were pending at the week-end.

C. & S. INDUSTRIES 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 stock offering by C. & S. Industries, Inc., 5310 W. 66th Street, Chicago. The order provides an opportunity for hearing, upon request, on the question whether the suspension should be vacated or made permanent.

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 on March 24, 1961, Industries proposed the public offering of 1,320 Class A common shares, 2,640 Class B common shares and 2,640 preferred shares, in units consisting of 1 Class A, 2 Class B and 2 preferred shares and at \$125 per unit. The Commission asserts in its suspension order that it has reasonable cause to believe that certain terms and conditions of the Regulation were not complied with in that the company's offering circular failed (1) to include a reasonably itemized statement of the intended use of the net proceeds together with the amounts to be used and the priority for such use, (2) to describe accurately and adequately the company's proposed business operations and products, its plants or other physical properties now held or to be acquired, and to disclose the serial number and date of patents together with the commercial application of such patent, and (3) to identify the promoters of the company and to disclose security holdings of management officials, and to set forth accurately the percentage of such holdings of officials and promoters as against holdings by the public if all the securities being offered are sold. According to the order, the company also did not comply with the Regulation in that its notification and offering circular failed to include other required information, including financial statements of its predecessor. (TO PRESS. Copies also available in SEC Chicago Office)

THREE REGULATION A HEARINGS SCHEDULED. On request of the issuing companies, the Commission also has issued orders scheduling hearings, as indicated, with respect to the question whether to vacate or make permanent prior orders of the Commission temporarily suspending Regulation A exemptions from registration under the Securities Act of 1933 with respect to proposed public offerings of securities by the following:

<u>Issuer</u>	<u>Place and Date of Hearing</u>
Professional Insurers and Investors, Ltd.	SEC Denver Office, September 17, 1962
Terra Equipment Engineering, Inc.	SEC San Francisco Office, October 3, 1962
Prosper Oil and Mining Company	SEC Los Angeles Office, October 8, 1962

NEES MERGER TRANSACTIONS CLEARED. The SEC has issued an order under the Holding Company Act (Release 35-14686) authorizing certain transactions by New England Electric System, Boston holding company, and five of its electric public-utility subsidiaries incident to the proposed merger of three of such subsidiaries, Lynn Electric Company, Merrimack-Essex Electric Company and Suburban Electric Company, into a fourth, Massachusetts Electric Company. Under the proposal, Mass. Electric will issue to NEES an additional 941,068 shares of its \$25 par common in exchange for all of the common shares of the other merging companies. Upon consummation of the merger, Mass. Electric will acquire all of the assets of Lynn, Merrimack and Suburban and will assume their liabilities, including the outstanding first mortgage bonds of Merrimack and Suburban, the long-term debt of Lynn, and the short-term notes payable of each of these companies, as well as the liability for the payment of the preferred stock of Merrimack, which is to be called for payment prior to the time the merger is consummated. Mass. Electric also proposes to sell publicly, at competitive bidding, \$60,000,000 of first mortgage bonds and \$7,500,000 of \$100 par preferred shares; and the proceeds therefrom

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will be used to redeem the first mortgage bonds of Merrimack and Suburban (\$33,500,000), to pay long-term notes of Lynn (\$2,199,000), to redeem preferred stock of Merrimack (\$7,500,000), to redeem series E bonds of Mass. Electric (\$7,500,000), and to reduce short-term notes payable of Lynn, Merrimack, Suburban and Mass. Electric (\$17,000,000). After the merger, Mass. Electric proposes to purchase for \$601,388 certain properties, related equipment and materials and supplies from the fifth subsidiary, New England Power Company; and the latter proposes to purchase properties, equipment, materials and supplies from Mass. Electric for \$220,180.

TENNESSEE GAS TRANSMISSION PROPOSES DEBENTURE OFFERING. Tennessee Gas Transmission Company, Tennessee Building, Houston, Texas, filed a registration statement (File 2-20654) with the SEC on August 17th seeking registration of \$50,000,000 of debentures due 1982, to be offered for public sale through underwriters headed by Stone & Webster Securities Corp., 90 Broad Street, New York, and two other firms. The interest rate, public offering price and underwriting terms are to be supplied by amendment.

The company and two of its subsidiaries own and operate pipe line systems for the transportation and sale or delivery of natural gas for resale, and another subsidiary produces, refines and markets petroleum and petroleum products and is engaged in certain other non-utility businesses. Of the net proceeds from the debenture sale, \$46,500,000 will be used to retire outstanding bank loans and the balance to retire a portion of notes outstanding under a revolving credit agreement. In addition to certain indebtedness and preferred stock, the company has outstanding 39,830,155 shares of common stock, of which management officials as a group own 1.24%. Gardiner Symonds is board chairman and Harold Burrow is president.

RELIANCE INSURANCE FILES STOCK PLANS. Reliance Insurance Company, 401 Walnut Street, Philadelphia, filed a registration statement (File 2-20655) with the SEC on August 17th seeking registration of an aggregate of 39,064 shares of capital stock, to be offered pursuant to its Employee Stock Purchase Plan and Stock Option Incentive Plan.

SOUTH DALLAS FILES FOR OFFERING. South Dallas Company, 350 Fifth Avenue, New York, filed a registration statement (File 2-20656) with the SEC on August 17th seeking registration of \$350,000 of limited partnership interests, to be offered for public sale at \$5,000 per interest. The offering will be made on a best efforts basis by Eastern Seaboard Clearance Company, Inc., of the Fifth Avenue address, which will receive a \$500 per interest selling commission.

South Dallas is a limited partnership organized under New York law in June 1962 with Kielman A. Schuddekopf as general partner and Joshua Krugman and Harry Gutman as original limited partners. The original partners have assigned to the partnership a contract to purchase title to the land and buildings comprising 18 two-story garden apartment buildings located in Dallas. The purchase price under the contract is \$1,258,000 payable \$200,000 in cash (\$30,000 advanced by the general and original partners), by taking title subject to various first mortgages held by banks in the aggregate amount of \$858,000 and a purchase money blanket second mortgage of \$200,000. Of the \$305,000 proceeds from the sale of interests, \$200,000 will be used to pay the cash portion of the purchase price (including refund of the deposit), \$38,000 will be paid to the general partners for assignment of the purchase agreement, and the balance will be used to pay expenses in connection with this offering, including underwriting expenses. The original limited partners will receive four subordinated units of limited partnership interest and the general partner 12 units of limited partnership interests, all in consideration of their assignment of their interests in the purchase contract and for advancing the \$30,000. The property will be operated under a net lease by Eastern Seaboard Realty, Inc., also of the Fifth Avenue address. Schuddekopf is president and sole stockholder of the said Realty company and of the underwriter.

LIFE COMPANIES FINANCIAL REPORTING PROPOSED. The SEC today announced a proposal for amendment of its accounting Regulation S-X (Release 33-4525) by adding provisions with respect to the form and content of financial statements and related schedules filed by life insurance companies. Interested persons are invited to submit their views and comments not later than October 1, 1962. The proposed requirements provide for reasonable uniformity in accounting policies and practices in financial statements included in registration statements and annual reports filed with the Commission. Other schedules which are required to be filed by such companies were adopted in connection with the revision of Article 7 of Regulation S-X which applies to insurance companies other than life and title insurance companies. (See Accounting Series Release No. 89, July 26, 1961.)

It is believed that the requirements of the proposed amendment call for information which is presently given in the Annual Statement filed with state regulatory authorities or is otherwise readily available. Wherever possible the order and terminology of the current Annual Statement have been used in this revision. The principal variations between financial statements and schedules presently being filed with the Commission and those included in this proposal are in the form of the profit and loss or income statement and in the addition of a schedule calling for information regarding changes in policy reserves, benefits, and insurance in force. On the proposed profit and loss statement the manner of presenting investment income has been changed and interest required to maintain reserves is not required to be separately stated.

COUNTER TRADING IN LISTED STOCKS STUDIED. The SEC Special Study of Securities Markets today announced that a new questionnaire (OTC-6) is being distributed to about 45 broker-dealer firms who are non-members of the New York Stock Exchange but have substantial over-the-counter dealings in securities listed on that Exchange. Replies to the questionnaire are due September 12, 1962. Data obtained from prior studies and other sources "indicate that the over-the-counter market in securities listed on the New York Stock Exchange has grown very substantially since 1941, when the Commission last made a systematic study of this subject. The present questionnaire will provide comprehensive data concerning the growth and characteristics of this market." In the first section of the questionnaire, each firm is to report its aggregate volume of

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over-the-counter trading in New York Stock Exchange securities for the years 1949, 1955 and 1961. A second section of the questionnaire requests the names of listed securities in which each broker-dealer "made a market" during 1955, 1960, and/or 1961, the volume of trading in each such security during 1961, the methods followed in the pricing of such securities, and other related data as to transactions effected by the respondent as principal. Another section of the questionnaire inquires as to commission arrangements and pricing methods applicable to transactions effected on an agency basis. Other sections request information about the placement of transactions on any national securities exchange in connection with conducting an over-the-counter business in listed securities, and the procedures followed in effecting short sales of listed securities in the over-the-counter market. In addition each firm is requested to report, on forms attached to the questionnaire, trading data for the weeks beginning March 19, 1961, January 14, 1962, and May 27, 1962 for those securities in which the firm was most active during the year 1961.

KEY WESTERN INVESTMENT ENJOINED. The SEC Fort Worth Regional Office announced August 16th (Lit-2348) the entry of a Federal court order (USDC Abilene, Tex.) permanently enjoining Key Western Investment Corporation of Abilene from further sale of its shares in violation of the Securities Act registration requirement.

WARREN ASSOCIATES FILES FOR OFFERING. Warren Associates, 565 Fifth Avenue, New York, filed a registration statement (File 2-20657) with the SEC on August 17th seeking registration of \$402,000 of limited partnership interests to be offered for public sale at \$6,000 per interest. No underwriting is involved.

Associates is a limited partnership organized under New York law in July 1962 with John D. Bussel, Elliot S. Gross, Simeon F. Gross and George Zuckerman as general partners, and Mildred Jarcho as the limited partner. It has acquired from non-affiliated persons the ownership of property consisting of about 12½ acres in Warren, Michigan on which is situated a department store and a food store. Title to the property was acquired by the partnership (with funds advanced by the general partners) for a total purchase price of \$1,416,720.10, consisting of \$399,369.30 in cash above an institutional first mortgage of \$697,980.30 and by a \$319,370 note secured by a purchase money mortgage on the property. The general partners have advanced all funds necessary in connection with the acquisition and will be reimbursed for same from the proceeds from this offering. In addition, they have received \$66,000 of subordinated general partnership interests in consideration of their assignment of the contract of sale to the partnership.

GATEWAY SPORTING GOODS PROPOSES DEBENTURE OFFERING. Gateway Sporting Goods Company, 1321 Main Street, Kansas City, Mo., today filed a registration statement (File 2-20658) with the SEC seeking registration of \$1,500,000 of convertible subordinated debentures due 1977, to be offered for public sale at 100% of principal amount. Stern Brothers & Co., 1009-15 Baltimore Avenue, Kansas City, heads the list of underwriters. The underwriting terms are to be supplied by amendment.

The company operates retail stores, licensed departments in closed-door membership and open-door discount department stores, a discount department store, a retail catalog mail order division, a school division and a wholesale division, specializing in sporting goods, photographic equipment, toys, wheel goods, luggage and related recreational lines. The company has agreed, subject in certain instances to the consummation of license agreements, to operate 21 departments in six new closed-door stores and 10 departments in three new open-door stores. The net proceeds from the debenture sale will be applied to the expansion program (estimated at an aggregate of \$2,200,000), including inventories and fixtures. In addition to certain indebtedness, the company has outstanding 238,986 common and 240,000 Class B common shares, of which latter stock Louis A. Cumonow, board chairman and president, Dorothy Cumonow, and Edward Cumonow, vice president, own 25.1%, 23.1% and 21.7%, respectively. Salkeld & Co. owns of record 14.6% of the outstanding common shares.

SECURITIES ACT REGISTRATIONS. Effective August 17: Genesco Inc. (File 2-20589); Lawter Chemicals, Inc. (File 2-20629); Madison Fund, Inc. (File 2-20624); Massachusetts Electric Co. (File 2-20599).
Withdrawn August 17: Happy House, Inc. (File 2-18597); High Temperature Materials, Inc. (File 2-19018); Kelley Realty Corp. (File 2-19955); Pal-Playwell, Inc. (File 2-19365).

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