

## NEWS DIGEST

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



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**REGISTRATION DENIED TO MUTUAL REAL ESTATE INVESTORS.** In a decision announced today (Release 34-7105) the SEC denied an application filed by Mutual Real Estate Investors, Inc., 303 Whitney Ave., New Haven, Conn., for registration as a broker-dealer. S. Robert Taylor, president and principal stockholder, was found a cause of the denial order.

In its decision, the Commission found that the firm (which was organized by Taylor to sell participations in real estate syndication in Connecticut) and Taylor violated the Securities Act anti-fraud provisions in the offer and sale of limited partnership interests in Lima Associates of Lima, Ohio, Darien Motor Lodge Associates and Jefferson Texas Company, in that they distributed sales literature (including newspaper advertisements) composed by Taylor which represented that the interests would earn an anticipated return of 11% or 13%, without disclosing that all or a substantial portion of the initial returns would consist of capital and that any return was contingent on the condition of the properties, the availability of mortgage financing, the payment of rent, the amount of competition, and general economic conditions (all of which facts were within the knowledge of Taylor). The Commission noted that the firm employed inexperienced salesmen who were unqualified to explain the nature of the return on an investment in a real estate syndication. The Commission also found that between January and September 1962, the firm and Taylor violated the Exchange Act registration provisions in that they effected over-the-counter transactions in said partnership interests without being registered with the Commission as a broker and dealer. Moreover, the Commission found that they violated the Securities Act registration provisions in that they (1) admittedly mailed sales literature constituting written offers to prospective customers without giving them an offering circular as required by the Regulation A exemption from Securities Act registration (pursuant to which the transactions were claimed to have been made), and failed to file copies of such literature with the Commission as required under the Regulation, and (2) after Jefferson had filed a registration statement covering an offering of its interests, they admittedly distributed sales literature with respect to those interests which constituted prospectuses but which failed to meet the prospectus requirements of the Securities Act.

The Commission held that while its action will preclude Taylor from conducting his own business at this time as a registered broker-dealer, "the public interest does not require that he be barred from being employed by a registered broker-dealer in a non-supervisory capacity upon a showing that adequate supervision will be exercised."

**TRANSATLANTIC FUND RECEIVES FURTHER ORDER.** The SEC has issued a further order under the Investment Company Act (Release IC-3746) granting a request by Transatlantic Fund, Ltd., a Canadian investment company, that the Commission modify its order of June 28, 1963 permitting the Fund to register as an investment company subject to certain conditions (including that it shall effect full compliance with the requirements of the Commission's Rule 7d-1 under that Act on or prior to July 31, 1963), so as to extend such time to 30 days subsequent to the enactment of legislation proposed by the President concerning an "Interest Equalization Tax" (which if enacted, according to the order, would appear to make it undesirable for the Fund to complete its program for reincorporation in this country) or until October 31, 1963, whichever is earlier.

**MAHONING CORP. FILES FOR STOCK OFFERING.** The Mahoning Corporation, 402 Central Tower Bldg., Youngstown, Ohio, filed a registration statement (File 2-21603) with the SEC on July 26 seeking registration of 200,000 shares of common stock, to be offered for public sale at \$3 per share. The offering will be made by officers and employees, who will receive a 45¢ per share selling commission.

The company was organized in 1961 and is in the promotional stage never having engaged in any productive business or had any earnings. The company's presently intended business, provided that the necessary funds are obtained through this offering, is to engage primarily in the exploration, development or exploitation of Canadian mineral claims and licenses, including the acquisition or relinquishment, in the due course of business, of such rights in order to carry on its primary business. The company owns certain mining claims and licenses in Quebec, which were acquired from Palazzo-Stevens Mineral Exploration Syndicate in exchange for 130,000 common shares and \$13,500 of promissory notes. According to the prospectus, the company has no geologic reports based on a physical examination of its properties by a qualified expert, and about 44.5% of the total area of claims and licenses owned by the company lies within the waters of Lake Gueguen and "exploration will be difficult and costly, if possible at all." Of the net proceeds from the stock sale, \$200,000 will be used for development costs only if exploratory work indicates such is advisable (or if not, such amount will become part of working capital), and the balance will be used to pay the \$13,500 note, for overhead expenses and exploration costs (\$26,000), and for working capital (about \$194,000). The prospectus states that if a substantial part of the shares is not sold, insufficient funds may be available to conduct exploration or exploitation on the company's properties, but that the amount paid in by investors will not be returned to them.

The company has outstanding (at April 30, 1963) 238,250 shares of common stock (including the shares issued in part payment for properties and for cash at 10¢ per share), of which James J. Palazzo, president, owns 14.8% and management officials as a group 43.3%. 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 10¢ to \$1.132 per share, with a resulting dilution of about \$1.87 per share in book equity of stock purchased by the public.

OVER

**MADISON FUND SHARES IN REGISTRATION.** Madison Fund, Inc., 660 Madison Ave., New York, filed a registration statement (File 2-21612) with the SEC on July 30 seeking registration of 420,749 shares of common stock which may be issued from time to time by the Fund in payment of dividends payable in cash or stock at the option of the stockholder. The Fund's present practice is to distribute to its stockholders its net long-term capital gains during March of the year following that in which they were realized, and to distribute substantially all its net investment income and short-term capital gains quarterly. The Fund presently intends to make the March long-term capital gain dividend payable, at the option of the stockholder, either in cash or in full shares of stock of the Fund on the basis of net asset value or market price, whichever is lower, and to make all other dividends payable, at the option of the stockholders who have joined the Fund's Automatic Dividend Investment Plan, either in cash or in stock of the Fund on the basis of net asset value.

**UNITED INVESTORS PROPOSES DEBENTURE RIGHTS OFFERING.** United Investors Corporation, 1300 First National Bank Bldg., Minneapolis, filed a registration statement (File 2-21613) with the SEC on July 29 seeking registration of \$500,000 of 6% convertible debentures due 1973. It is proposed to offer such debentures for subscription by stockholders (at 100% of principal amount) on an unlimited basis subject to the right of the company to reject or reduce subscriptions in the event of oversubscription. No arrangements have been made for underwriting of unsubscribed debentures which will be offered for public sale, but the company will pay a 5% commission to any licensed broker or agent arranging an accepted sale. No commissions will be payable with respect to the rights offering.

The company owns all of the outstanding stock of United Capital Life Insurance Company of Minnesota and of United Investors Fund Corporation (the latter is a registered broker-dealer which recently commenced offering mutual fund shares in conjunction with life insurance written by United Capital Life). All of the net proceeds from the debenture sale will be used to increase the capital investment in United Capital Life, which will invest such funds in securities authorized by law as investments for life insurance companies. The funds will thereafter be used by the subsidiary to pay the expenses of writing new insurance business and to set up required reserves thereon. The company has outstanding 954,950 shares of common stock, of which management officials as a group own 10.5%. Hal N. Carr is president.

**LONE STAR GAS PROPOSES DEBENTURE OFFERING.** Lone Star Gas Company, 301 South Harwood St., Dallas, filed a registration statement (File 2-21614) with the SEC on July 30 seeking registration of \$35,000,000 of sinking fund debentures due 1988, to be offered for public sale at competitive bidding. The net proceeds from the debenture sale will be used to pay \$10,000,000 of short-term and long-term bank borrowings, to complete the 1963 construction program estimated to require \$15,000,000, and for working capital. The entire 1963 construction program is estimated at \$40,000,000.

**FARADYNE ELECTRONICS FILES FOR SECONDARY.** Faradyne Electronics Corp., 140 Little St., Belleville, N. J., filed a registration statement (File 2-21610) with the SEC on July 29 seeking registration of 26,800 outstanding shares of common stock, to be offered for public sale by the holders thereof from time to time in the over-the-counter market at prices prevailing at the time of sale (maximum \$5.75 per share\*). The statement also includes options to purchase 18,584 common shares as well as 30,000 common shares which may be issued upon exercise of these and similar options, all of which were granted to underwriters in connection with a prior public offering by the company. The options, which expire in 1964, are exercisable at \$5 per share.

The company is engaged in the manufacture of glass and ceramic preforms which are used in the production of transistors, capacitors, diodes and electronic tubes; the precision casting of metals for industrial use; and the manufacture of magnetic components for the electronics industry. The company has outstanding 243,599 common and 300,000 Class A common shares, of which latter stock Manuel Brucker, president, Bernard P. Birnbaum board chairman, Solomon Feldman, treasurer, and Saul I. Birnbaum, secretary, own 25% each (acquired at .067¢ per share). Management officials as a group own 8% of the outstanding common stock. The prospectus lists five selling stockholders, including John C. Webb (10,800 shares) and Joseph Levine (9,800 shares and options to purchase 6,000 shares).

**COMPLAINT CITES CONTINENTAL GROWTH FUND.** The SEC New York Regional Office announced July 30 (LR-2699) the filing of court action (USDC, SDNY) against Continental Growth Fund, Inc. and its officers and directors, seeking (among other things) to enjoin the defendants from continuing to act as officers and directors on the ground that they have been guilty of gross misconduct and gross abuse of trust. The Commission also seeks appointment of a receiver for the Fund's assets. The Commission's complaint names as defendants Richard Coplon Jacobs, promoter of the Fund and its former president (of Harbourn, New Jersey), Leonard Fessenden Joy, treasurer (Montclair, N.J.), David Deacon, a director (Suffern, N.Y.), J. Dudley Devine, a director (New York City), Continental Fund Distributors, Inc., the Fund's principal underwriter (Hampstead, N.Y.), Continental Management Corporation, the Fund's investment adviser (Harbourn, N.J.), and The Franklin National Bank (Mineola, N.Y.), the Fund's custodian. The court ordered frozen the assets of the Fund pending a hearing on the Commission's application for a preliminary injunction and appointment of a receiver.

**SECURITIES ACT REGISTRATIONS.** Effective July 30: American Greetings Corp. (File 2-21548).  
Withdrawn July 29: Falcon Seaboard 1963 Oil Syndicate, Inc. (File 2-20811).

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

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