

SECURITIES AND EXCHANGE COMMISSION

NEWS DIGEST

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



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FOR RELEASE January 25, 1961

PALO VERDE INVESTMENT FILES FOR OFFERING. Palo Verde Investment Company, 1802 North Central Avenue, Phoenix, Ariz., filed a registration statement (File 2-17512) with the SEC on January 23, 1961, seeking registration of \$725,459.44 of Joint Venture Interests, to be offered for public sale in \$18,136.48 units.

The Venture was formed in December 1960 by O'Malley Investment & Realty Co. and its subsidiary, O'Malley Securities to become the purchaser of the Palo Verde Ranch, containing 647 gross acres of irrigated farm land in the greater Phoenix metropolitan area of Maricopa County, Arizona. O'Malley Securities will act as underwriter and will receive 1% of the purchase price of the land if the offering is successful. O'Malley Realty will receive \$23,500 as a real estate commission on account of the sale of the real property, with such commission to be paid by the seller; \$18,000 as an organizational fee and expenses in connection with the organization of the Venture and the registration and sale of its securities (including the 1% payable to O'Malley Securities); and \$5,625 per year for services as attorney-in-fact and trustee for the Venture. In December 1960, O'Malley Realty secured an option to purchase the ranch from Firestone-Panattell Farm Company for \$450,000, payable in instalments, with interest, as follows: \$107,500 in cash, to be deposited in escrow on the exercise of the option; \$43,213.32 by the payment of the balance of a contract of purchase in favor of Mr. and Mrs. W. J. Williams, Jr., payable in annual instalments of \$3,086.67 with 5½% interest per annum; \$85,000 by the payment of the balance of a note and mortgage in favor of The Northwestern Mutual Life Insurance Company, payable in 14 annual instalments of \$5,000 with 6½% interest per annum; and \$214,286.68, the balance of the purchase price, in annual instalments of \$21,428.67 with a 6% interest per annum. The aggregate amount of \$725,459.44 of Venture Interests to be sold include: the \$450,000 purchase price of the property; \$133,551.11 in interests payable on the deferred instalments of purchase price and on the mortgages and contracts; \$74,533.33 in operating expenses over a 15 year period; fees of \$84,375 to O'Malley Realty for its services over a 15 year period; and the \$18,000 organization fee to O'Malley Realty.

According to the prospectus, it is not the purpose of the Joint Venture to hold the real property for sale to customers in the ordinary course of business, nor to subdivide, plat, or improve the real property, but its sole purpose is to purchase the property and ultimately to resell the same in a single transaction for agricultural, residential, commercial or other use which will command an increase in price.

ALBEE HOMES FILES FOR OFFERING. Albee Homes, Inc., 931 Summit Street, Niles, Ohio, filed a registration statement (File 2-17513) with the SEC on January 24, 1961, seeking registration of 172,500 shares of common stock, to be offered for public sale on an all or none basis through a group of underwriters headed by G. H. Walker & Co. The public offering price and underwriting terms are to be supplied by amendment. The registration statement also includes 7,500 common shares which are to be sold to partners and associates of the principal underwriter at the public offering price.

The company's business consists of selling to the public pre-cut, packaged home building materials, including not only the pre-cut lumber necessary to construct the "shell" of a home and a garage and porches, but also a trim package and packaged components. The packaged components include wiring, plumbing, heating, and interior finishing packages. The net proceeds from the stock sale will be used by the company's wholly-owned subsidiary, Approved Bancredit Corporation, to finance a greater portion of future credit sales originating in the new sales outlets of the company.

In addition to certain indebtedness, the company has outstanding 652,538 shares of common stock. Of the outstanding shares, William Gross, president and board chairman, Alex Gross, executive vice president, and Sam Gross, secretary-treasurer, own 316,984, 174,031, and 130,523 shares, respectively.

NATIONAL SECURITY LIFE SUSPENSION PERMANENT. The SEC has cancelled the hearing requested by National Security Life Insurance Company, of Indianapolis, Ind., on the question whether the Commission should vacate, or make permanent, the Commission's order of December 20, 1960, temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a public offering of stock by the said Insurance Company. The suspension order asserted that the company's offering circular was false and misleading in respect of various material facts. On request of the company, a hearing was called to determine whether the order should be vacated or made permanent. Subsequently, the request for a hearing was withdrawn. Accordingly, the suspension order has become permanent.

ADRS FOR RANK ORGANISATION FILED. Morgan Guaranty Trust Company of New York filed registration statements with the SEC on January 23, 1961, seeking registration of American Depository Receipts for 80,000 ordinary registered shares of The Rank Organisation Limited, of England (File 2-17509), and American Depository Receipts for 80,000 "A" Ordinary Registered Shares of the said The Rank Organisation Limited (File 2-17510).

RULE PROPOSAL WITHDRAWN. The SEC has withdrawn its proposal of 12/1/59 contained in Release 35-14107 to adopt a new Rule 14 under the Holding Company Act. The proposed rule would have provided an exemption for

OVER

holding companies in the issue, sale or acquisition of their common shares, if such company had pending an application for an order of exemption under Section 3(a)(5) of the Act and was permitted to conduct an investment program by an order of the Commission which had been entered in connection with the conversion of such company into an investment company in compliance with Section II of the Act. According to the Commission's announcement (Release 35-14359), no such holding company now has an exemption application pending before the Commission.

RECORD-KEEPING RULES FOR INVESTMENT ADVISERS PROPOSED. The SEC today announced a proposal for the adoption of a new Rule 204-2 under the Investment Advisers Act of 1940 which would require investment advisers subject to registration under that Act to maintain specified books and records relating to their business. The Commission invites the submission of views and comments thereon not later than March 1, 1961.

Under the Investment Company Act, as amended in September 1960, non-exempt investment advisers are required to keep and preserve such accounts, correspondence, memorandums, papers, books and other records, and make such reports, as the Commission by rules and regulations may prescribe as necessary or appropriate in the public interest or for the protection of investors; and such books and other records are subject to inspection by Commission representatives.

Paragraph (a) of the proposed rules specifies the books and records which all investment advisers would be required to keep. These include the usual journals and ledger accounts; memorandums of orders given and instructions received for the purchase or sale of securities; and originals or copies of certain communications received or sent by the investment adviser.

Paragraph (b) of the rule would require investment advisers who have custody or possession of securities or funds of any client to maintain certain additional records, including a separate ledger account for each client showing all purchases, sales, receipts and deliveries of securities, the date and price of each such purchase and sale, and all debits and credits to such account.

Paragraph (c) of the rule is applicable to investment advisers who render any investment supervisory or management service to any client. Such investment advisers would be required to maintain the additional records specified in that paragraph if the information is available to or can be obtained by the investment adviser. It is recognized that it may not always be possible for the investment adviser to obtain such information, but the proposed rule contemplates that the investment adviser would try to make some arrangement under which his client would furnish it to him promptly or direct the broker-dealer effecting the transaction to furnish it to him.

Under paragraphs (a) and (d) a copy of any circular, investment letter advertisement or publication distributed to 10 persons or more shall be preserved, together with a list of the names and addresses of the persons to whom it was distributed.

Another provision of the rule relating to the preservation of books and records would make it clear that members, brokers and dealers who are also investment advisers need not keep two sets of the same records, and that books or other records maintained in compliance with rules under the Securities Exchange Act of 1934 would be deemed to be maintained and preserved in compliance with the proposed new rule if they are substantially the same as the records required thereunder.

FIFTY STATES MUTUAL FUND FILES FOR OFFERING. Fifty States Mutual Fund, Inc., 39 East Chestnut Street, Columbus, Ohio, filed a registration statement (File 2-17516) with the SEC on January 23, 1961, seeking registration of 500,000 shares of common stock, to be offered for public sale at a price which is the current liquidating value of the shares plus sales charges of from 7½% to 1% depending on the size of the purchase. Inter-Regional Securities Corporation will act as distributor for the Fund and will receive as commission the excess of the offering price over the liquidating value of the shares sold.

The Fund was organized under Ohio law in September 1960 and is an open-end, diversified, management investment company. Inter-Regional Securities Corporation is listed as its investment advisor. Murray D. Lincoln is listed as board chairman of the Fund and a director of Inter-Regional Securities, and Arthur J. Smaby as president of the Fund and of Inter-Regional Securities.

TWO STOCKS DELISTED. The SEC has adopted orders under the Securities Exchange Act (Release 34-6459) granting applications of the New York Stock Exchange to delist the 6% Cumulative Preferred Stock of Amalgamated Leather Companies, Inc., and the Common Stock of Guantanamo Sugar Company, effective at the close of the trading session on January 27, 1961.

TRADING SUSPENDED IN UNITED INDUSTRIAL STOCK. The SEC has issued an order pursuant to Section 19(a)(4) of the Securities Exchange Act of 1934 temporarily suspending trading, for the further ten-day period January 26 to February 4, 1961, inclusive, in the common and preferred stocks of United Industrial Corporation, of Los Angeles, and in common stock purchase warrants. The suspension applies to trading in such of these securities as are listed or traded on the American, Detroit, New York and Pacific Coast Stock Exchanges and, pursuant to Rule 15c2-2, to trading therein in the over-the-counter market.

The original suspension, announced by the Commission on January 16th, followed an announcement of changes in the top management of the company and of write-downs and adjustments aggregating some \$7,000,000 in its inventories, accounts receivables and other assets. These developments raised serious questions whether financial and other information previously filed by the company with the Commission is complete and accurate and whether such information could be relied upon by public investors in their evaluation of the company's securities.

The Commission understands that an independent accounting firm is continuing the conduct of a detailed audit of the company's books and records and expects its audit report to be available in March.

RICHMOND-EUREKA MINING PROPOSES RIGHTS OFFERING. Richmond-Eureka Mining Company, 75 Federal Street, Boston, Mass., filed a registration statement (File 2-17515) with the SEC on January 24, 1961, seeking registration of 103,133 shares of capital stock. The company proposes to offer such stock for subscription by stockholders on the basis of one new share for each three shares held. The record date and subscription price are to be supplied by amendment. No underwriting is involved.

The company's principal activities have consisted of the operation, directly or through lessees, of mining properties near Eureka, Nevada. Pursuant to a settlement agreement between the company and five other corporations, Ruby Hill Mining Company was organized under Nevada law in April 1960 and was assigned all of the company's mining properties located at Eureka, Nevada and the mining properties owned by Eureka Corporation Limited. Ruby Hill was appointed by the five companies to act as operator to conduct the work program and was granted by the company and Eureka Corporation Limited a license to drill and do other work on the properties. The five companies contributed a total of \$1,000,000 for the costs of the work program. Upon the conveyance of the properties to Ruby Hill, the six companies, for the purpose of reflecting the change in ownership and continuing the work program, entered into a new agreement whereby Ruby Hill has leased the properties to the five companies and whereby Ruby Hill is to act as operator to conduct the work program and is to receive a 10% royalty of the net smelter returns. The five companies may acquire a stock interest in Ruby Hill through an option schedule containing first and second options.

The net proceeds from the sale of stock by the company will be used to repay loans from United States Smelting Refining and Mining Company for the following purposes: \$50,000 to meet current expenses; \$250,000 to exercise the company's first option to acquire stock of Ruby Hill if the company determines to exercise it; and for other corporate purposes. The said loans were made to defray cost of litigation to protect the company's interests in its mining properties, to meet other expenses in connection with such properties, to enable the company to participate in the program under the Letter of Intent, including expenses in connection with the formation of Ruby Hill and the advance of \$250,000 to Ruby Hill.

In addition to the notes payable, the company has outstanding 309,397½ shares of capital stock, of which more than 10% is owned by United States Smelting Refining and Mining Co. N. W. Rice is listed as president.

CUSTOM COMPONENTS FILES FOR OFFERING. Custom Components, Inc., Passaic Avenue, Caldwell Township, New Jersey, filed a registration statement (File 2-17517) with the SEC on January 24, 1961, 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 basis through Manufacturers Securities Corporation, which will receive a 30¢ per share selling commission and up to \$22,500 for expenses. According to the prospectus, at least 100,000 shares must be sold within 60 days after the date of the offering or none of such shares will be issued or sold. Harold I. Danziger, president and principal stockholder, has granted the underwriter three-year warrants at \$.001 each to purchase up to 16,500 of his shares at \$1 per share on a basis of 1,000 warrants for each 10,000 shares sold by the underwriter.

The company is engaged in the development, design, manufacture and sale of magnetic powdered iron or poly iron cores for radio and television and a diversified line of permeable dielectrics for microwave systems. Since 1958 it has been conducting a program of research into the field of ferrites which has now been completed and commercial production commenced. The \$415,000 net proceeds from the stock sale will be used as follows: \$100,000 for the commercial manufacture of ferrites, including the purchase of equipment and the creation of an inventory; \$100,000 to expand the businesses of Microwave Components, Inc. and Pennsylvania Testing Laboratories, Incorporated which are to be acquired by the company by an exchange of stock in the event this offering is successful, and the creation of a new testing facility to be built at the company's plant in New Jersey; \$38,333.81 to retire remaining indebtedness incurred through the purchase of 30% of the company's outstanding stock for an aggregate \$120,000, which stock was retired by the company; and the balance will be added to general working funds.

The company has outstanding 217,000 shares of common stock, of which Danziger owns 99%.

SEC COMPLAINT NAMES TOWER HOTEL CORP. The SEC San Francisco Regional Office announced January 23d (LR-1895) the filing of a complaint (USDC, Nev.) seeking to enjoin Tower Hotel Corporation, Deauville Hotel Corporation, Max Field, Charles Miller, Marvin Beckwith, Thomas Evans and James C. Courtney from further violations of the registration and anti-fraud provisions of the Securities Act in the sale of stock of Tower Hotel and of Deauville Hotel Corp.

EFFECTIVE SECURITIES ACT REGISTRATIONS: January 25: Maremont Automotive Products, Inc. (File 2-17189); Avery Adhesive Products, Inc. (File 2-17307); Eastern Bowling Corporation (File 2-17339); Gateside-Architects Building Trust (File 2-17346); Emerson Electric Manufacturing Company (File 2-17375); United Financial Corporation of California (File 2-17380); Vacuum-Electronics Corporation (File 2-17388); Montgomery Ward Credit Corporation (File 2-17398). **Registrations withdrawn:** January 25: Electronic Specialty Co. (File 2-16664); Liberian Iron Ore Limited and The Liberian American-Swedish Minerals Company (File 2-16613).