

# 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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**ANTI-FRAUD RULE PROPOSED.** The SEC today announced a proposal for adoption of a rule under the Investment Advisers Act designed to prohibit fraudulent and deceptive advertising by investment advisers; and it has invited the submission of views and comments thereon not later than May 15, 1961.

In its proposed new rule (Rule 206(4)-1), the Commission seeks to define certain advertisements by investment advisers which would be considered "fraudulent, deceptive or manipulative" within the meaning of the 1960 amendment of the law which prohibits any investment adviser from engaging in any act, practice or course of business which is fraudulent, deceptive, or manipulative and gives the Commission the power, by rules and regulations, to define and to prescribe means reasonably designed to prevent such acts, practices and courses of business. In addition to requesting comments upon this proposal, the Commission invited suggestions from all informed persons (including those engaged in business as investment advisers and those who have employed the services of such advisers) concerning other rules and regulations which might be adopted to prevent such practices.

The Commission also observed that, in considering the present proposal, it should be borne in mind that investment advisers are generally required to adhere to a stricter standard of conduct than that applicable to ordinary merchants, securities are "intricate merchandise", and clients or prospective clients of investment advisers are frequently unskilled and unsophisticated in investment matters. Since it is to such persons that a substantial amount of investment advisory advertising is directed, the proposed rule is intended to implement the statutory mandate by foreclosing the use of practices which have a tendency to mislead or deceive such persons.

One provision of the proposed rule would prohibit advertisements containing testimonials of any kind concerning the investment adviser or any advice, analysis, report or other service rendered by the investment adviser. It also would prohibit the use of advertisements which call attention to past recommendations of the investment adviser which were or would have been profitable to any person. Such advertisements are misleading because by their very nature they emphasize the comments and activities favorable to the investment adviser and ignore those which are unfavorable.

Another provision would prohibit an investment adviser from using an advertisement which represents, directly or indirectly, that any graph, chart, formula, method, system or other device being offered can in and of itself be used to determine which securities to buy or sell, or when to buy or sell them. This same subparagraph would also prohibit an advertisement which represents that any such graph, chart, etc., being offered will enable or assist any person to make his own decisions as to which securities to buy or sell or when to buy or sell them without fully disclosing the limitations and difficulties with respect to its use.

The rule also would prohibit an advertisement from representing that any report, analysis, or other service will be obtained free or without charge unless it is in fact entirely free and subject to no conditions or obligations; and it contains a more general provision to make it unlawful for an investment adviser to use any advertisement if it contains any untrue statement of a material fact, or is otherwise false or misleading.

**VIOLATIONS CHARGED TO D H VICTOR & CO.** The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether D. H. Victor & Company, Inc., 32 Broadway, New York, made fraudulent misrepresentations in the offer and sale of stock of Trans Central Industries, Inc. (formerly Trans Central Petroleum Corporation), and, if so, whether its broker-dealer registration should be revoked and whether it should be suspended or expelled from membership in the National Association of Securities Dealers, Inc.

Victor & Company has been registered as a broker-dealer since March 1959. David H. Victor is listed as president and owner of 100% of its outstanding stock; and Norman Miller has served as a salesman since August 1960. According to the Commission's order, facts developed in an investigation conducted by its staff tend to show that, in the offer and sale of Trans Central stock during the period August 1960 to date, Victor & Company, Victor and Miller "engaged in acts, practices and a course of business which operated as a fraud and deceit" upon purchasers of such stock, in that they made false and misleading representations with respect to the Trans Central and its stock. The alleged misrepresentations related, among other things, to an increase in the price of the Trans Central stock, the earnings and financial condition of that company, dividends to be paid on its stock, properties currently owned and to be acquired by Trans Central, and the listing of the stock on an exchange.

A hearing will be held on April 11, 1961, in the Commission's New York Regional Office to take evidence on the foregoing. The hearing will first concern itself with the question whether it is necessary or appropriate in the public interest to suspend the broker-dealer registration of Victor & Company pending decision upon the ultimate question of revocation and NASD suspension or expulsion.

**TWO DELISTINGS PROPOSED.** The SEC has issued orders (Release 34-6519) giving interested persons until April 15, 1961, to request hearings upon applications of the New York Stock Exchange to delist the first mortgage bonds due 1970 of Cuba Northern Railways Company and four series of bonds due 1970 of The Cuba Railroad Company, due to the failure of the companies to publish financial statements as of June 30, 1960.

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**TWO DELISTINGS AUTHORIZED.** The SEC has issued orders (Release 34-6519) granting applications of the (a) Pacific Coast Stock Exchange to delist the common and 6% preferred stocks of Yellow Cab Company, due to the reduced number of holders of the two issues; and (b) San Francisco Mining Exchange to delist the common stock of Trail Mines, Inc., due to its failure to file financial statements for 1959. Both delistings are effective at the close of trading sessions on April 12, 1961.

**POWELL SECURITIES REGISTRATION POSTPONED.** The SEC has issued a decision under the Securities Exchange Act (Release 34-6517) postponing the effective date of an application for broker-dealer registration filed by Irwin Vincent Powell, doing business as Powell Securities Company, 63 Wall Street, New York, pending decision on the question whether registration should be denied. According to the decision, evidence tends to substantiate allegation in order instituting proceedings that applicant willfully made statements in his application for registration that were false and misleading with respect to Powell's employment within the past ten years by broker-dealers, and the order for proceedings charges additional violations of securities laws by him while employed by one of such broker-dealers.

**BANKERS SOUTHERN SEEKS EXEMPTION.** Bankers Southern, Inc., Louisville, Ky., has applied to the SEC for an order under the Investment Company Act declaring that it has ceased to be an investment company; and the Commission has issued an order (Release IC-3221) giving interested persons until April 17, 1961, to request a hearing thereon. According to the application, all the outstanding securities of the company are owned by 79 persons and the company is not making and does not propose to make a public offering of its securities. The application further indicates that the company may be liquidated within a few years.

**DREXEL EQUITY FUND SEEKS ORDER.** Drexel Equity Fund, Inc., Philadelphia investment company, has applied to the SEC for an exemption order under the Investment Company Act permitting its purchase of 340,000 shares of common stock of American District Telegraph Co. owned by Drexel & Co. at a price of \$84.74 per share; and the Commission has issued an order (Release IC-3222) giving interested persons until April 14, 1961, to request a hearing thereon. Because of the affiliation existing between the two Drexel companies, such purchase is prohibited by the Act in the absence of an exemption order in which the Commission finds that the terms of the transaction are fair and involve no overreaching on the part of any person concerned.

**EQUITY CORP. AFFILIATES SEEK ORDER.** The Equity Corporation, New York investment company, has joined with Sterling Precision Corporation, Aurora Corporation of Illinois, and Bell International Corporation (formerly Bell Aircraft Corporation), in the filing of an application with the SEC for an exemption order under the Investment Company Act with respect to certain proposed transactions; and the Commission has issued an order (Release IC-3223) giving interested persons until April 13, 1961, to request a hearing thereon.

In summary, the application relates to the proposed amendment of the terms and partial prepayment of a note of Aurora held by Sterling; the guarantee by Bell of a bank loan to Aurora; and the transfer of the assets of Bell's subsidiary, The W. J. Schoenberger Company, to Aurora in exchange for Aurora stock. In exchange therefor, Aurora will issue 482,713 common shares and assume the liabilities of Schoenberger. The latter will be dissolved, resulting in the ownership by Bell of about 50.16% of the outstanding stock of Aurora.

**OHIO EDISON TO ISSUE BONDS.** Ohio Edison Company (Akron) has applied to the SEC for an order under the Holding Company Act authorizing it to issue \$11,223,000 of first mortgage bonds to satisfy the sinking fund requirements of its outstanding first mortgage bonds for the years 1961, 1962 and 1963; and the Commission has issued an order (Release 35-14399) giving interested persons until April 18, 1961, to request a hearing thereon.

**SOUTHERN ELECTRIC GENERATING STOCK REACQUISITION.** Southern Electric Generating Company, Birmingham, Ala., has joined with its parent companies, Alabama Power Company (Birmingham) and Georgia Power Company (Atlanta), in the filing of a proposal with the SEC under the Holding Company Act for an order authorizing the subsidiary to make repurchases of its own stock from time to time from the parent companies; and the Commission has issued an order (Release 35-14400) giving interested persons until April 19, 1961, to request a hearing thereon. The application also seeks permission to modify the dividend covenant in the mortgage indenture securing the subsidiary's outstanding first mortgage bonds.

**FASHION ROCKS GRANTED EXEMPTION.** The SEC has issued an order under the Securities Exchange Act of 1934 granting an application of Fashion Frocks, Inc., of Cincinnati, Ohio for an exemption from the requirements of said Act for the filing of annual and other periodic reports. According to the application, the company's outstanding preferred stock is held of record by one person and its common stock by forty-nine persons.

**VORNADO SEEKS EXEMPTION ORDER.** Vornado, Inc., Garfield, N. J., has applied to the SEC for an exemption order under the Investment Company Act with respect to the proposed exchange of securities with Investors Diversified Services, Inc., of Minneapolis; and the Commission has issued an order (Release IC-3224) giving interested persons until April 13, 1961, to request a hearing thereon. Vornado is engaged in the retail merchandising of consumer items and in the production of various electric appliances. It has outstanding 1,216,372 common shares, of which 160,000 shares (13.2%) is owned by IDS. It is proposed that, in exchange for the 160,000 shares, Vornado issue to IDS its \$2,340,000 of 3.10% junior subordinated notes due 1976 and warrants to purchase, on or before April 27, 1967, 42,000 shares of Vornado common at \$16 per share. The exchange is stated to be based on a valuation of \$10 per share for Vornado common or an aggregate price of \$1,600,000 which is stated to be the value of the notes.

**RULES OF PRACTICE AMENDED.** The SEC today announced an amendment to its Rules of Practice (and to related rules under the Securities Act and other laws which it administers - Release 33-4344) extending the present prohibition of the rules against the disclosure by Commission employees of information developed in private investigations conducted by the Commission. The amended rules prohibit the disclosure of any non-public information, whether or not developed in an investigation.

**POWER DESIGNS PROPOSES OFFERING.** Power Designs Inc., 1700 Shames Drive, Westbury, N. Y., filed a registration statement (File 2-17901) with the SEC on March 31, 1961, seeking registration of 500,000 shares of common stock, to be offered for public sale at \$2 per share. The offering is to be made on an all or none basis by Pistell, Crow, Inc., which will receive a commission of 20¢ per share plus \$10,000 for expenses. The principal stockholder has sold to the underwriter 37,500 shares and to Harold Anfang (the finder) 12,500 shares of outstanding stock at 10¢ per share, which shares also are included in the registration statement.

The company designs, manufactures and sells power supply equipment for the conversion of commercial AC power into precisely controlled voltages and currents necessary for accurate and reliable operation of complex electronic equipment. It now has outstanding 850,000 common shares. Net proceeds of the sale of additional stock, estimated at \$862,500, will be used as follows: (a) to retire a \$100,000 bank loan, (b) to expand research and development activities at a cost of \$50,000, (c) for internal plant expansion for production at a cost of \$100,000 and to provide additional office space at a cost of \$25,000, (d) to establish a reserve for property acquisition at a cost of \$140,000, and (e) to supplement working capital and provide funds for expanded activity on the West Coast and possibly into Canada and Europe. The company has an option to purchase its plant and adjacent property, now under lease.

The company now has outstanding 850,000 common shares, of which Herbert Roth, president, owns 94%.

**INCOME PROPERTIES PROPOSES OFFERING.** Income Properties, Inc., 1801 Dorchester Road, Brooklyn, N. Y., filed a registration statement (File 2-17902) with the SEC on March 31, 1961, seeking registration of 150,000 shares of Class A stock, to be offered for public sale at \$9.75 per share. The offering is to be made on a best efforts, all or none basis, for which it will receive a \$.975 per share selling commission. The company has agreed, if all the Class A shares are sold, (a) to sell the underwriter, for \$3,000, two-year warrants to purchase 30,000 Class A shares at \$9.75 per share; (b) to sell the underwriter 5,000 Class B shares at \$1 per share; and (c) to pay the underwriter \$10,000 for expenses of the offering. The underwriter has agreed to distribute 3,000 of the 30,000 warrants to Paul Eisenberg as a finder's fee. It has also agreed to reserve 40,000 of the 150,000 Class A shares for sale to present stockholders of the company.

Formerly known as Price Investors Corporation, the company owns and operates six apartment houses, two of which are owned and operated through two of its four subsidiaries. Through one of these subsidiaries it is presently constructing another apartment house; and through the other it intends to commence construction of an additional apartment house. Of the net proceeds of this stock offering, estimated at \$1,267,250, the company intends to liquidate four mortgages aggregating about \$310,000, one bank loan of \$150,000, and short term loans of \$57,000. The balance of the proceeds will be added to working capital and available for construction of and investment in real estate properties.

In addition to indebtedness, the company has outstanding 179,006 shares of Class A stock and 12,836 shares of Class B stock (convertible, under certain conditions, into Class A stock in the ratio of 10 Class A shares for each Class B share). The prospectus lists Joseph J. Macaluso as president. Management officials as a group own 9.9% of the outstanding Class A and 9.9% of the outstanding Class B stock.

**UNITED AMERICAN LIFE SHARES IN REGISTRATION.** United American Life Insurance Company, 494 Spring St., N.W. Atlanta, Ga., filed a registration statement (File 2-17903) with the SEC on March 31, 1961, seeking registration of 539,413 shares of capital stock, of which 514,979 shares are subject to outstanding options exercisable at from \$1.82 to \$3.64 per share, and 24,434 shares are subject to options which may be granted in the future. If all the options presently outstanding were exercised, the company would receive about \$1,000,000.

The company is engaged in the writing of ordinary life insurance. On March 14, 1961, it acquired all the assets and assumed all the liabilities of United American Investment Company, whose net assets amounted to about \$447,431. In connection therewith, the company reduced the par value of its capital stock to 50¢ per share and increased the authorized number of shares to a total of 3,850,000, including 539,413 shares reserved under the stock options. Of this amount, 3,500,000 are to be issued in exchange for the 350,000 shares of outstanding \$5 par stock of the company on a 10 for one basis; and 350,000 shares are to be issued for the assets of the Investment Company. The latter will be distributed to shareholders of the Investment Company, which will be liquidated.

The prospectus lists Herman E. Talmadge as board chairman and Louis T. Bates as president.

**DIXON CHEMICAL INDUSTRIES PROPOSES DEBENTURE RIGHTS OFFERING.** Dixon Chemical Industries, Inc., 1260 Broad St., Bloomfield, N. J., filed a registration statement (File 2-17904) with the SEC on March 31, 1961, seeking registration of \$1,500,000 of 6% Convertible Senior Subordinated Income Debentures due 1981, to be offered for subscription by holders of the company's common stock. I. W. Brooks & Co. heads the list of underwriters. The record date, subscription rate, subscription price and underwriting terms are to be supplied by amendment. The company has agreed to sell the principal underwriter, for \$200, 5-year warrants to purchase 20,000 common shares (price to be supplied by amendment).

The company owns and operates a plant on a 70-acre tract of land at Paulsboro, N. J., for the manufacture of sulfuric acid by a process involving the burning of spent-sulfuric acid and molten sulfur. Construction

of such plant was completed in January, 1960, at a cost of \$6,000,000, and the plant was placed in operation immediately thereafter. It is designed to service the oil refineries in the Delaware Valley area. The company is also constructing a plant at the same location for the manufacture of hydrofluoric acid, which is expected to be completed in August 1961 at a cost of \$3,950,000. According to the prospectus, the company's operations to date have resulted in a "substantial loss for various reasons, including the general downturn in the economy and the fact that certain oil refineries having requirements contracts with the company have purchased substantially less sulfuric acid than was estimated in such contracts". Of the net proceeds from the debenture sale, \$1,200,000 will be applied to the completion of the construction of the hydrofluoric acid plant and related facilities, and the balance will be used to provide additional working capital. The balance of the funds to complete construction have been provided from the sale in 1960 to The Prudential Insurance Company of America of \$2,800,000 of 6% notes and a warrant to purchase 24,405 common shares at \$13 per share (subject to downward adjustment) until 1975, the net proceeds of which were about \$2,750,000.

In addition to certain indebtedness, the company has outstanding 511,725 shares of common stock, of which Dixon Chemical & Research, Inc. owns about 27%, and Harriman Ripley & Co. owns 78,051 shares. Arthur W. Dixon, Jr. is listed as president of the company.

DIXON CHEMICAL & RESEARCH PROPOSES DEBENTURE OFFERING. Dixon Chemical & Research, Inc., 1260 Broad St., Bloomfield, N. J., filed a registration statement (File 2-17905) with the SEC on March 31, 1961, seeking registration of \$2,900,000 of 6% Convertible Sinking Fund Debentures due 1978, to be offered for public sale through underwriters headed by P. W. Brooks & Co., Inc. The public offering price and underwriting terms are to be supplied by amendment. The company has agreed to sell Brooks & Co. for \$250, five-year warrants to purchase 25,000 common shares (at a price to be supplied by amendment).

The company proposes to construct a plant to manufacture liquid sulfur dioxide with a portion of the proceeds of this financing. On completion of facilities now under construction or proposed for construction, the company will be a basic producer of sulfuric acid, liquid sulfur dioxide, liquid and dry aluminum sulfate, chromic acid and a variety of industrial and corrosion-resistant coatings and Industries\*will be a basic producer of sulfuric acid and hydrofluoric acid. The company intends to continue to act as principal and broker in the sale of heavy chemicals not presently manufactured by it. Some \$600,000 will be applied to the construction of the new plant; \$700,000 will be used for payment on account of the purchase in December 1960 of Better Finishes & Coatings, Inc., which is engaged in the production and sale of chromic acid and of industrial and corrosion-resistant maintenance coatings; \$500,000 for investment in 6% debentures the subject of a rights offering by Dixon Chemical Industries, Inc.,\*in which the company owns a 27% interest; \$70,000 for construction and fitting of a plant office, machine shop and other facilities in Newark; and the balance for working capital.\*(See previous item)

In addition to indebtedness and preferred stock, the company now has outstanding 774,366 shares of common stock. The prospectus lists Arthur W. Dixon, Sr., as board chairman and Arthur W. Dixon, Jr., as president.

NELLY DON FILES FOR SECONDARY. Nelly Don, Inc., 3500 East 17th Street, Kansas City, Mo., filed a registration statement (File 2-17906) with the SEC on April 3, 1961, seeking registration of 204,580 outstanding shares of common stock, to be offered for public sale by the present holders thereof on the American Stock Exchange or otherwise at prices related to the current market price at the time of sale.

The company manufactures and sells ladies' dresses under the labels "Nelly Don", "Donna Petite" and "Don-About". In addition to certain indebtedness, the company has outstanding 507,812 shares of common stock, of which management officials as a group own about 40%. The prospectus lists 12 selling stockholders including George L. Fitzgerald, board chairman, John B. Bachofer, president, Lee Baty, first vice president, and Robert J. Ingraham, Secretary, who own 25,180, 21,575, 43,462, 36,350 shares, respectively, and propose to sell all such holdings. The others propose to sell all of their holdings ranging from 4,150 to 28,000 shares.

NATIONAL FUEL GAS FILES FOR DEBENTURE OFFERING. National Fuel Gas Company, New York holding company, has filed a proposal with the SEC under the Holding Company Act for the public offering, at competitive bidding, of \$27,000,000 of sinking fund debentures due 1986; and the Commission has issued an order (Release 35-14404) giving interested persons until April 19, 1961, to request a hearing thereon. National will use the net proceeds of the debenture sale to redeem \$15,000,000 of outstanding 5½% debentures due 1982; to prepay \$6,000,000 of notes due July 1, 1961, and to advance \$6,000,000 to Iroquois Gas Corporation and United Natural Gas Company. The two companies and another subsidiary, Pennsylvania Gas Company, propose to refinance \$15,000,000 of 5½% long-term notes held by National.

SECURITIES ACT REGISTRATIONS. Effective April 4: Dynamic Instrument Corporation (File 2-17539); Knapp & Tubbs, Inc. (File 2-17584); Packard Instrument Company (File 2-17585); Marine Capital Corporation (File 2-17601); Consolidation Coal Company (File 2-17680); John Deere Credit Company (File 2-17755).  
Withdrawn April 4: Aircraft Armaments, Inc. (File 2-17100).