

SECURITIES AND EXCHANGE COMMISSION

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

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HAZEL BISHOP REGISTRATION SUSPENDED. The SEC today announced a decision (Release 33-4371) suspending the effectiveness of a registration statement filed by Hazel Bishop, Inc., of New York, because the statement included false and misleading financial information and in various other respects failed to comply with the Securities Act disclosure requirements.

Originally filed in June 1960 and amended in October 1960, the statement proposed a large secondary offering of Hazel Bishop common stock, consisting of 1,274,823 outstanding shares or about 60% of the total outstanding. The offering was to be made by 112 persons listed as present holders thereof, including management officials who listed substantial amounts representing most of their holdings. A large part of such stock had been sold initially by the company in violation of the Securities Act registration requirements. By stipulation and in further amendments to the registration statement filed in March and April 1961, Hazel Bishop conceded the registration violations and that the registration statement, as amended in October 1960, was deficient. However, it urged the Commission to give favorable consideration to the amendments and permit the statement as thus amended to become effective, preferably without issuance of a stop order. This request was rejected by the Commission because ". . . of the widespread public distribution of unregistered shares that has taken place, and the serious deficiencies found, which include financial statements showing a profit instead of a substantial loss for the most recent fiscal year and the failure to make proper disclosures with respect to other material aspects of registrant's business and the market prices of its common stock."

In its decision (written by Commissioner Woodside), the Commission ruled that the summary of earnings included in Hazel Bishop's prospectus, which showed a profit of \$102,258 for the fiscal year ended October 31, 1959, was "deceptive and misleading" in several respects. The profit shown resulted in part from a failure to reflect certain adjustments, referred to only in a footnote, and in part from treating as a reduction of advertising costs the release of a claim by Television Industries, Inc., totalling \$1,110,619, for "spot" advertising time purchased by Hazel Bishop during 1958 and 1959. The release was given in return for the transfer by Raymond Spector, then Hazel Bishop's board chairman, to the claimant of 150,000 shares of Hazel Bishop stock. The Commission ruled, as stipulated by Hazel Bishop, that under proper accounting practice, only the difference between the value of the 150,000 shares transferred by Spector and the amount of the claim could properly be treated as a reduction of advertising costs and that on this basis Hazel Bishop suffered a loss of \$707,996 for 1959 rather than the \$102,258 profit shown. Finally, the earnings summary showed an unaudited net profit of \$136,535 for the ten months ended August 31, 1960, but the March amendment disclosed a loss of \$354,538 for the year ended October 31, 1960.

Another deficiency found by the Commission related to a statement in the company's prospectus that television has been its principal advertising media and that it expended about \$30,000,000 for network television advertising during the past ten years. There was inadequate disclosure that since 1957 there had been a decided downward trend in expenditures for advertising and that planned advertising expenses were at a further reduced level.

In discussing the proposed stock offering, which was to be made "through brokers on the American Stock Exchange, in the open market, or otherwise," at prices current at the time of sale, Hazel Bishop's prospectus stated that from January 1959 through October 10, 1960, the closing price of the stock on the Exchange ranged from a high of \$10 per share to a low of \$3.50. Reference to the \$10 high was misleading, the Commission stated, without disclosure of the fact that this price was reached on only one day, June 14, 1960, following (i) publication on June 6th of a statement by a newspaper columnist that Hazel Bishop was about to introduce a new product which would increase the company's sales and earnings, (ii) the company's release on June 3d of a financial report showing a \$202,776 profit for the 6-month period ended April 1960 as compared with a loss of \$551,173 for the same period the preceding year, and (iii) the company's announcements to the cosmetics trade that it would sponsor a number of well-known radio and television personalities. Nor did the statement disclose that after reaching \$10 on June 14th, the market price declined during late June, July, August and September, the range in September being 6-5/8 - 7-1/2.

The Commission also ruled that Hazel Bishop's claim to a "private offering" exemption from registration with respect to sales of 562,500 shares in 1959 and 1960 was invalid. In October 1959, when in urgent need of additional working capital, Hazel Bishop had entered into agreements with Spector, Raymond Enterprises, Inc. (wholly owned by Spector), and Dovan Enterprises, Inc. (wholly owned by Daniel Van Dyk, later board chairman), pursuant to which the Van Dyk-Spector interests agreed to buy, or find purchasers for, 300,000 and 50,000 shares, respectively, of Hazel Bishop stock at \$4 per share. In addition, 12,500 shares had been issued as a finder's fee at that time, and 200,000 shares were sold at \$5 per share in 1960. The Commission noted that while the 562,500 shares were nominally issued to 31 persons who gave investment letters, in many instances the purchasers immediately transferred the beneficial interests to others. In addition, some of the purchasers entered into profit-sharing arrangements and guaranties against loss to persons receiving beneficial interests. As a result of the various arrangements, the Commission found, a wide group of uninformed persons were sold a variety of interests in unregistered stock. It accordingly held that the representation in the registration statement that the company's sales were exempt was false. It further held that sales by Spector of a total of 324,000 shares subsequent to November 1959, including sales on the open market and sales to persons who resold on the market, also constituted an unlawful public offering which should have

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been disclosed. The Commission also stated that the registration statement should have disclosed that by virtue of such transactions, Hazel Bishop became contingently liable to purchasers of the unregistered shares.

Although refusing to consider the amendments recently filed by Hazel Bishop, the Commission directed its staff to examine the amendments in light of its decision to determine whether the disclosures therein remedy the deficiencies and to report to the Commission on the question whether and when the stop order should be lifted. However, the Commission cautioned that, if the stock offering proceeds in the manner indicated by the prospectus, the issuer and selling stockholders "risk serious violations" of certain provisions of the Securities Exchange Act and SEC rules thereunder, particularly in view of the fact that the offering is to be made "at the market" without underwriters. By contrast, in a conventional distribution "the activities of underwriters and other participants in the distribution are governed by carefully drawn underwriting agreements and related contracts providing a controlled procedure designed to bring about an orderly marketing of the security free of practices prohibited by the statutes or rules as manipulative, deceptive or fraudulent, or otherwise unlawful." The Commission called specific attention to the prohibitions of its rules against bids or purchases by any person participating in a distribution; the prohibitions against stabilization transactions in connection with an offering "at the market;" and the restrictions of the Securities Act on written communications which constitute an offering of securities. The Commission also called attention to the fact that one of the selling stockholders, Gilligan, Will & Co., is the specialist responsible for maintaining a fair and orderly market in Hazel Bishop stock on the American Stock Exchange. "Since the firm is listed in the registration statement as a selling stockholder and is a member of a group whose interest lies in effecting a distribution at the best price obtainable," the Commission observed, "it is not clear how the specialist can properly discharge his function and at the same time comply with the rules under the Exchange Act" governing specialists' activities.

"In summary," the Commission observed, "we think that under the factual situation here presented the potentialities for violations of the law, witting or unwitting, on the part of those who are about to offer their stock on the basis stated are so grave that consistent with our obligations under the Exchange Act, they should be called to the attention of the selling stockholders, the issuer, the Exchange, the existing stockholders of Hazel Bishop and the general public."

MICHIGAN WISCONSIN PIPE LINE BANK BORROWINGS CLEARED. The SEC has issued an order under the Holding Company Act (Release 35-14459) authorizing Michigan Wisconsin Pipe Line Company (Detroit) to issue and sell to banks during 1961 not to exceed \$20,000,000 of promissory notes, the proceeds of which will be applied to the company's 1961 construction program.

SECCO FINANCING CLEARED. The SEC has issued an order under the Holding Company Act (Release 35-14460) authorizing Southern Electric Generating Company, Birmingham, Ala., to issue and sell at competitive bidding \$20,000,000 of First Mortgage Bonds due 1992, and to issue not to exceed \$20,000,000 of bank notes during the 12 months ended July 1, 1962. Net proceeds of the sale of the bonds will be used for construction of the company's No. 1 Steam Plant, including payment of \$18,000,000 of bank notes incurred for such purposes; and the proceeds of the sale of the bank notes, together with \$2,000,000 from the sale of stock to Alabama Power Company and Georgia Power Company (parents) in 1961, will be used to continue the construction of such plant. Under an order dated August 26, 1960, SECCO was authorized to borrow up to \$28,000,000 from banks, of which only \$18,000,000 was borrowed; and it has surrendered its authority to issue the balance of such notes. Under a February 7, 1961, order, it was authorized to issue and sell an additional 30,000 common shares to its parent for \$3,000,000; and it now proposes to issue only 20,000 shares and has surrendered its authority to issue the remaining 10,000 shares.

CENTURY INVESTORS - WEBSTER INVESTORS GRANTED EXEMPTION. The SEC has issued an order under the Investment Company Act (Release IC-3269) declaring that Century Investors, Inc., and Webster Investors, Inc., of New York City, have ceased to be investment companies under the Act.

PUEBLO SUPERMARKETS FILES FOR SECONDARY. Pueblo Supermarkets, Inc., P. O. Box 10878, Caparra Heights, San Juan, Puerto Rico, filed a registration statement (File 2-18259) with the SEC on June 6th seeking registration of 100,000 outstanding shares of Class A common stock to be offered for public sale by the holders thereof through underwriters headed by Merrill Lynch, Pierce, Fenner & Smith. The public offering price and underwriting terms are to be supplied by amendment.

The company is engaged in the operation of seven supermarkets, six of which are located in Greater San Juan and one in Ponce, Puerto Rico's second largest city. The company has outstanding 460,000 common and 260,000 Class A shares, of which latter stock Harold Toppel, president, George Toppel, executive vice president and Milton Toppel, vice president, own 161,000, 52,000 and 47,000 shares, respectively, and propose to sell 60,000, 20,000 and 20,000 shares, respectively. Of the outstanding common stock, Bryan Realty Corp., wholly-owned by the Toppel brothers, holds of record 51.09%, and management officials as a group own beneficially 56.83%. After sale of the 100,000 shares, the selling stockholders will own 58.33% of the total outstanding shares of the company. All outstanding Class A shares will be converted automatically into common shares on April 1, 1962.

ADR's FOR ASSOCIATED BRITISH FOODS FILED. Morgan Guaranty Trust Company of New York, 140 Broadway, New York, filed a registration statement (File 2-18260) with the SEC on June 6th seeking registration of American Depositary Receipts for 80,000 Ordinary Shares of Associated British Foods Limited (of England).

PFAUDLER PERMUTIT FILES STOCK PLANS. Pfaudler Permutit Inc., 1000 West Avenue, Rochester, N. Y., filed a registration statement (File 2-18261) with the SEC on June 7th seeking registration of 144,096 shares of common stock, which have been or will be offered to employees under options which have been or will be granted pursuant to various Stock Option Plans of the company.

REILLY HOFFMAN & CO. HEARING SCHEDULED. The SEC has scheduled a hearing for June 26, 1961, in its New York Regional Office in the proceedings under the Securities Exchange Act of 1934 to determine whether to revoke the broker-dealer registration of Reilly, Hoffman & Co., Inc., 30 Raymond Ave., Lynbrook, L. I., New York. In its order of October 6, 1960, authorizing these proceedings, the Commission charged that the said company violated the anti-fraud provisions of the Federal securities laws in the offer and sale of Glide Control Corporation stock in 1959.

GENERAL ACCEPTANCE PROPOSES DEBENTURE OFFERING. General Acceptance Corporation, 1105 Hamilton Street, Allentown, Pa., filed a registration statement (File 2-18258) with the SEC on June 7th seeking registration of \$15,000,000 of convertible capital debentures due 1981, to be offered for public sale through underwriters headed by Paine, Webber, Jackson & Curtis and Eastman Dillon, Union Securities & Co. The interest rate, public offering price and underwriting terms are to be supplied by amendment.

The net proceeds from the debenture sale will be used to increase or maintain working capital which may be used for the purchase of receivables in the ordinary course of its financing activities; may be advanced to or invested in subsidiaries for such purposes, including, among other things, the bulk purchase of receivables; may be advanced to or invested in subsidiaries for such other purposes as relate to their respective businesses; or initially may be applied to the reduction of outstanding indebtedness.

In addition to certain indebtedness and preferred stock, the company has outstanding 1,660,927 shares of common stock, of which management officials as a group own 10.2%. F. Reed Wills is listed as board chairman and William F. Gaunitz as president.

ONE WILLIAM ST. FUND RECEIVES ORDER. The SEC has issued an exemption order under the Investment Company Act (Release IC-3270) with respect to the sales load on shares of The One William Street Fund, Inc., New York investment company, sold by the Fund and Lehman Brothers.

POLYTRONIC RESEARCH FILES FOR OFFERING AND SECONDARY. Polytronic Research, Inc., 7326 Westmore Road, Rockville, Md., filed a registration statement (File 2-18262) with the SEC on June 7, 1961, seeking registration of 150,000 common shares to be offered for public sale by the company, and 43,750 outstanding common shares to be offered by the present holders thereof. The offering of company shares will be made on an all or none basis through underwriters headed by Jones, Kreeger & Company and Balogh & Company. The public offering price and underwriting terms are to be supplied by amendment. The registration statement also includes 18,000 common shares which underlie 3-year warrants to be issued to the underwriters, exercisable at a price per share to be supplied by amendment.

The company (formerly Acme Tool and Engineering Corp.) is engaged in research and development, engineering, production and sale of certain electronic and electro-mechanical devices and test equipment. Its products include equipment and components for missiles and aircraft, ordnance equipment, oscilloscopes, meter analyzers, portable test equipment, electronic vending machines, projection television for use in training programs and other uses, and language teaching machines. According to the prospectus, there is now pending before the Commission a proceeding relating to the suspension of the exemption under Regulation A of the Securities Act of 1933 of an offering of 100,000 common shares of the company sold at \$1 per share in May through July, 1957, as a result of which offering there may exist a liability on the part of the company to the purchasing shareholders. No present management official was then connected with the company. The prospectus further states that prior to April 1958, several other stock issuances were made which were not registered under the Act and which, accordingly, may have been unlawful, in which event the company may have a further contingent liability. The net proceeds from the company's sale of additional stock will be used as follows: \$150,000 to expand manufacturing facilities and equip the building with additional necessary shop facilities; \$130,000 to expand sales and engineering force and to finance a research and development program; to pay a \$19,000 bank note, to retire \$37,000 of 6% convertible debentures due March 31, 1962, and to pay \$78,000 of balances due on certain other outstanding obligations; and the balance to make possible adequate financing of present contracts and to make it possible to negotiate future contracts by a showing of additional financial responsibility for the performance of such contracts.

In addition to certain indebtedness, the company has outstanding 377,950 shares of common stock, of which management officials as a group own 20.5%. Of the 43,750 outstanding shares, Thomas L. Thomas, board chairman and president, proposes to sell 25,000 shares and J. C. Herbert Bryant, 18,750 shares.

CANADA DRY PROPOSES DEBENTURE RIGHTS OFFERING. Canada Dry Corporation, 100 Park Avenue, New York, today filed a registration statement (File 2-18263) with the SEC seeking registration of \$7,138,400 of convertible subordinated debentures due July 1, 1981. It is proposed to offer such debentures for subscription at 100% of principal amount by common stockholders at the rate of \$100 of debentures for each 33 shares held. The interest rate, record date and underwriting terms are to be supplied by amendment.

The company and its subsidiaries are principally engaged in the manufacture and distribution of Canada Dry Ginger Ale and a full line of carbonated beverages in the United States and certain foreign countries. The company also is the sole distributor for Johnnie Walker Scotch whiskies in the United States (except Hawaii). Of the net proceeds from the debenture sale, \$2,000,000 will be used to prepay outstanding short-term bank loans incurred to finance increases in inventory of carbonated beverage raw materials and increases in accounts receivable in the United States, and the balance will be available for additional working capital and for capital expenditures including additional plant facilities and the purchase of machinery, equipment, trucks and vending machines.

In addition to certain indebtedness and preferred stock, the company has outstanding 2,355,669 shares of common stock, of which management officials as a group own 47,238 shares. Roy W. Moore is listed as board chairman and Roy W. Moore, Jr. as president.

FLORIDA STEEL FILES FOR SECONDARY. Florida Steel Corporation, 1715 Cleveland Street, Tampa, Fla., today filed a registration statement (File 2-18264) with the SEC seeking registration of 100,000 outstanding shares of common stock, to be offered for public sale by the holders thereof through underwriters headed by McDonald & Company and Kidder, Peabody & Co. The public offering price and underwriting terms are to be supplied by amendment.

The company is engaged principally in the business of fabricating structural steel products, including beams, columns, trusses, girts, girders and plate work; steel reinforcing bars; allied products for concrete construction purposes; corrugated steel culverts, guard rails and flood gates; irrigation pipe; steel joists; and architectural and miscellaneous metal products. The company also erects and warehouses steel and sells and distributes allied products manufactured by others.

In addition to certain indebtedness, the company has outstanding 1,250,000 shares of common stock, of which B. E. Bushnell, chairman of the executive committee, S. L. Flom, president, and D. E. Taylor, board chairman, own 76,875, 72,111 and 82,974 shares, respectively, and propose to sell 20,000 shares each. In addition, L. G. Mumaw, executive vice president, and R. T. Redman, a vice president, own 112,554 and 18,645 shares, respectively, and propose to sell 35,000 and 5,000 shares, respectively. After the sale of outstanding shares, the selling stockholders will own 21.05% of the outstanding common stock.

SALE OF AMERICAN EQUITIES CORP. STOCK ENJOINED. The SEC New York Regional Office announced June 5th (LR-2040) the entry of a court order (USDC SDNY) permanently enjoining American Equities Corporation, Mitchell G. Kovaleski and Milton Z. Mende from further offer and sale of American Equities stock in violation of the Securities Act registration and anti-fraud provisions.

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