

# 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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**TWO OFFERINGS SUSPENDED.** The Securities and Exchange Commission has issued orders temporarily suspending Regulation A exemptions from registration under the Securities Act of 1933 with respect to public offerings of securities by the following:

- 1) Directomat, Inc., Hotel Roosevelt, Madison Ave. & 45th St., New York. Offering of 240,000 common shares at \$1 per share pursuant to notification filed March 17, 1958
- 2) Rosecroft Music Circus, Inc., 6732 Holabird Ave., Baltimore, Md. Offering of 500 common shares at \$50 per share and 250 debentures in the principal amount of \$400 pursuant to notification filed February 10, 1959

Regulation A provides a conditional exemption from registration with respect to public offerings of securities not exceeding \$300,000 in amount. In its suspension orders, the Commission asserts that the two named companies failed to comply with certain terms and conditions of the Regulation. It is also asserted that Directomat's offering circular is false and misleading in respect of certain material facts and that its stock was offered and sold in violation of Section 17 (the anti-fraud provision) of the Securities Act. Each order provides an opportunity for hearing, upon request, on the question whether the suspension should be vacated or made permanent.

The order with respect to Directomat charges that its offering circular fails to name and disclose the background and material interests of all promoters and affiliates of the issuer, and to disclose relationships between promoters, affiliates and an underwriter and between a promoter and a company holding a material contract with the issuer. It is also alleged that said company failed to disclose in its notification all of its promoters, controlling persons and affiliates, as required.

With respect to Rosecroft, the Commission's order asserts that it failed to file a revised offering circular or to file a semi-annual report of stock sales, as required.

**TRADING IN SKIATRON STOCK SUSPENDED.** The SEC has suspended trading on the American Stock Exchange and the over-the counter market in the common stock of Skiatron Electronics and Television Corporation, for a further ten-day period May 16 to May 25, 1960, inclusive. (Rel 34-6265)

**WASHINGTON GAS LIGHT FILES FOR OFFERING.** Washington Gas Light Company, 1100 H Street, N. W., Washington, D. C., filed a registration statement (File 2-16583) seeking registration of \$12,000,000 of Refunding Mortgage Bonds, Series due 1985, to be offered for public sale at competitive bidding. Net proceeds of the bond sale will be added to general funds and applied in part to the company's 1960 construction program and to the retirement of \$5,305,000 of long-term debt. Construction expenditures in 1960 are estimated at \$17,600,000.

**PRINCIPAL CERTIFICATE SEEKS ORDER.** Principal Certificate Series, Inc., New York, N. Y. investment company, has applied to the SEC for an order under the ICA approving a depository agreement between the said company and Bankers Trust Company, wherein the company undertakes to deposit and maintain with the said Trust Company qualified investments and reserves as required by Section 28 of the Act with respect to its Series 6, 10, 15 and 20 and Single Payment certificates; and the Commission has issued an order (Rel 40-3032) giving interested persons until May 25, 1960, to request a hearing thereon.

**SEC CONDUCT RULES AMENDED.** The SEC has amended its Conduct Regulations governing its members and employees by the inclusion of additional references to statutes generally applicable to government personnel. The additions do not make any substantive change in the rules but are inserted in order to make more complete the references now included. (Rel 33-4221).

**UNDERWRITERS NATIONAL ASSURANCE PROPOSES OFFERING.** Underwriters National Assurance Company, 1930 North Meridian St., Indianapolis, filed a registration statement (File 2-16584) on May 12, 1960 seeking registration of 240,000 shares of common capital stock, to be offered for public sale at \$7.50 per share. The offering is to be made on a best efforts basis by David L. Johnson & Associates, Inc., for which a \$1.125 per share selling commission is to be paid.

OVER

For further details, call ST. 3-7600, ext. 5526

The company is in its organizational state and has no history of earnings and has operated at a loss since its inception. It proposes to engage in the business of insuring life, health, accident and sickness appertaining to persons. The promoters include Robert W. Osler and several other officers and directors. They have acquired 17,260 shares of stock at \$6.25 per share, and have ten-year options on an additional 51,780 shares, exercisable at \$7.50 per share.

Net proceeds of the public sale of stock will be used for general corporate purposes, including payment of operating expenses, the carrying on of the insurance business, and for working capital (and including \$50,000 which will be certified to State authorities for investigation and examination by it to procure the certificate of authority to transact insurance business).

**BUDGET FINANCE PLAN SEEKS INDENTURE QUALIFICATION.** Budget Finance Plan, 6434 Wilshire Blvd., Los Angeles, filed an application with the SEC on May 12, 1960, under the Trust Indenture Act, for qualification of an indenture pursuant to which \$2,500,000 of Subordinated Capital Income Debentures, 6% Series A, due 2010, are to be issued. According to the application, these debentures are to be offered to holders of the company's 6% Serial Preferred Shares, \$10 par, in exchange for the said preferred shares, on the basis of \$1,000 of debentures for each 100 shares of preferred.

**NORTHWESTERN BELL TELEPHONE PROPOSES OFFERING.** Northwestern Bell Telephone Company, 100 South 19th St., Omaha, today filed a registration statement (File 2-16585) with the SEC seeking registration of \$45,000,000 of Thirty-Eight Year Debentures, due 1998, to be offered for public sale at competitive bidding. The company intends to use a portion of the net proceeds of the sale of the debentures to repay some \$24,600,000 of advances from its parent, American Telephone and Telegraph Company, and to deposit the balance in its general funds. The company intends to use from general funds an amount equivalent to such deposit for property additions and improvements. Advances from the parent are used for these and other corporate purposes.

**LAMEX INDUSTRIES PROPOSES OFFERING.** Lamtex Industries, Inc., Motor Ave., Farmingdale, Long Island, N. Y., today filed a registration statement (File 2-16586) with the SEC seeking registration of 100,000 shares of common stock, to be offered for public sale at \$5 per share. The offering is to be made on an all or none basis by Finkle, Seskis & Wohlstetter, for which a 50% per share commission is to be paid. The underwriter also will receive \$12,000 for expenses; and it has acquired an additional 20,000 shares from the company for \$2,000 which are also included in the registration statement and may be reoffered by the underwriter later.

The company was organized in 1955 and on February 29, 1960, it acquired all the stock of P.M.L. Manufacturing Corp. It and its subsidiary are engaged in the design, engineering, development and manufacture of fiber-glass reinforced plastic components and assemblies which are principally used in missiles, rockets, airplanes, radar sets, sonar sets, torpedoes, electronic and heavy electrical equipment. In addition to certain indebtedness, the company has outstanding 348,236 common shares. Net proceeds of the sale of additional stock, estimated at \$413,000, will be used as follows: \$60,000 to increase the company's sales effort, \$40,000 for further research and development on proprietary products, which are now in the development stage, \$50,000 to purchase additional machinery and equipment, \$100,000 to repay a bank loan, \$26,119 to repay loans from stockholders, and the balance for working capital.

Of the outstanding stock, 84,610 shares (24%) each are owned by Jonas Medney, board chairman, Warren E. Ponemon, president, and Hsing Liu, vice president and secretary.

**ARKANSAS WESTERN GAS PROPOSES OFFERING.** Arkansas Western Gas Company, 28 East Center St., Fayetteville, Ark., today filed a registration statement (File 2-16587) with the SEC seeking registration of 50,000 shares of common stock, to be offered for public sale through a group of underwriters headed by Snow, Sweeney & Co., Inc., and A. C. Allyn and Company, Inc. The public offering price and underwriting terms are to be supplied by amendment.

The company's primary business is the production, purchase, transmission, distribution and sale of natural gas within the State of Arkansas. In addition to various indebtedness, it has outstanding 647,739 common shares. Net proceeds of the sale of the additional stock, together with \$1,500,000 to be received from the sale of funded indebtedness, will be used to retire some \$1,000,000 of term bank notes and to defray all or a portion of the cost of the company's anticipated 1960 program of property additions and improvements. Expenditures for such purposes are estimated at \$1,474,700 for 1960.

**VIOLATIONS CHARGED TO RE, RE & CAGAREM.** The SEC announced May 12th that it had ordered proceedings under the Securities Exchange Act of 1934 to determine whether Re, Re & Cagarem (registrant) and its members, Gerard A. Re (Jerry Re) and Gerard F. Re, violated certain provisions of the federal securities laws, and, if such violations are found to have occurred, to determine also whether registrant's broker-dealer registration should be revoked and whether its members, Jerry Re and Gerard F. Re, should be suspended or expelled from membership in the American Stock Exchange.

In announcing these proceedings, the Commission pointed out that its staff had reported no information to it reflecting upon the present market for the securities referred to in its order for proceedings.

The Commission's order instituting such proceedings alleges that registrant and the Res are registered as specialists pursuant to the rules of the American Stock Exchange in about twenty securities traded on that Exchange. It is alleged that since July 1, 1954, registrant and the Res have employed their position as specialist to effect distributions on the Exchange of securities in which they were specialists in violation of the

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registration requirements of the Securities Act of 1933; that registrant and the Res effected these distributions by purchasing, or arranging for the purchase, for their own account and for accounts which they dominated and controlled, of blocks of such securities from officers, directors and large stockholders of the issuers of such securities; and that registrant and the Res distributed some of such securities by unlawfully accepting and executing for accounts dominated and controlled by them discretionary sell orders. It is further alleged that some of such securities held in accounts dominated and controlled by them were distributed by the device of registrant and the Res accumulating a large short position in their specialist trading account, arranging for the sale on the Exchange of securities held in the accounts dominated and controlled by them and then purchasing on the Exchange all or a portion of the securities thus sold to cover their accumulated short position.

According to the Commission's order, registrant and the Res during the period from about March 1, 1956 to the present participated in unlawful distributions involving the common stock of Highway Trailer Industries, Inc. I. Rokeach & Sons; Servo Corporation of America; Silver Creek Precision Corporation; Skiatron Electronics and Television Corporation; Swan-Finch Oil Corporation; Thompson-Starrett Company, Inc.; Trans Continental Industries, Inc.; and United Pacific Aluminum Corp. and the preferred stock of Thompson-Starrett Company, Inc.

The Commission's order also alleges that registrant and the Res, while effecting the distributions described above, wilfully violated Rule 10b-6 adopted by the Commission under Section 10(b) of the Securities Exchange Act of 1934 by bidding for, and purchasing securities on the Exchange which were the subject of such distributions. That rule, among other things, defines as a manipulative or deceptive device or contrivance, bids for or purchases by an underwriter or a participant in a distribution of securities being distributed or any other securities of the same class until such person has completed his participation in the distribution.

In making sales of securities being distributed by accounts dominated and controlled by them, it is alleged that registrant and the Res, specialists on the Exchange, wilfully violated Section 11(b) of the Exchange Act by accepting and executing as brokers discretionary orders for the sale of such securities. Section 11(b) prohibits a specialist acting as a broker from effecting on an exchange any transaction except upon a market or limited price order.

The Commission's order alleges that registrant and the Res unlawfully effected short sales in the common stock of Trans Continental Industries, Inc. in violation of the Commission's short selling rule. That rule, in general, prohibits short sales on an exchange at declining prices.

It is further alleged in the Commission's order that registrant and the Res wilfully violated Rule 10b-5 adopted by the Commission under Section 10(b) of the Securities Exchange Act by making purchases of the common stock of Rokeach on the basis of material information not disclosed to the sellers of such stock, which information would have affected the price of such stock. According to the Commission's order, registrant and the Res during a period in 1958 controlled Rokeach, an issuer of securities in which registrant and the Res were registered as specialists. In order to increase the value of Rokeach shares controlled by them, it is alleged that the Res initiated and participated in the negotiation of an acquisition by Rokeach of the stock of another company and that prior to the public disclosure of information concerning the proposed transaction, registrant and the Res effected numerous and substantial purchases on the Exchange of the common stock of Rokeach without disclosing to the sellers of such stock such "inside" information which could have, and when it was disclosed, did have, a material effect upon the price of such stock.

The Commission's order asserts that registrant and the Res wilfully violated the anti-fraud provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934 by delivering and causing others to deliver prospectuses containing false and misleading information. It is alleged that certain of these prospectuses failed to disclose completely the plan of distribution of certain offerings by omitting to state that substantial amounts of the securities offered thereby were to be distributed through the specialist trading account of registrant and the Res and that certain of these prospectuses did not fully disclose the interest of registrant and the Res in certain of the securities offered thereby.

Finally, the Commission's order alleges that registrant wilfully violated certain provisions of the Commission's bookkeeping rule and that the Res caused such violation.

A hearing for the purpose of taking evidence on the foregoing matters will be held on a date later to be

ARDEN FARMS FILES FINANCING PROPOSAL. Arden Farms Co., 1900 West Slauson Ave., Los Angeles, today filed a registration statement (File 2-16588) with the SEC seeking registration of \$4,000,000 of 6% Subordinate Debentures, Series due July 1, 1990 (convertible), 44,278 shares of preferred stock, and 149,511 shares of common stock. The debentures are to be offered for public sale at 100% of their principal amount. The company proposes to offer the 44,278 preferred shares and 149,511 common shares initially through subscription warrants. The holders of outstanding preferred stock will be entitled to purchase the new preferred at the rate of one new share for each ten shares held. Common stockholders will be entitled to purchase the additional common shares at the rate of one new share for each ten shares held. The record date is to be the effective date of this registration statement. The company proposes through certain of its employees and through security dealers to solicit from the public purchases of the debentures and to solicit the exercise of warrants by warrant holders and, after expiration of the warrants, to solicit from the public purchases of the unsubscribed shares of preferred and common stock.

OVER

The company and its subsidiaries are engaged in the manufacture, buying and selling of ice cream, ice cream mix, ice milk mix and cheese, the processing of milk, and the general business of buying and selling dairy and other products, including groceries and meats. Net proceeds of this financing are to be used to pay off an equivalent portion of the company's current bank loans which, at May 1, 1960, amounted to \$8,685,000 and were made partly to finance the procurement of materials and supplies, partly to carry notes and accounts receivable and partly to finance the expansion and growth of its business.

In addition to various indebtedness, the company has outstanding 438,441 preferred shares and 1,298,650 common shares. Management officials own 1.35% of the preferred and 4.60% of the common. J. Frank Holt is listed as president. According to the prospectus, the company has entered into an agreement with Horace Heidt and Citizens National Bank, trustee, for the purchase by the company of the Lone Palm Hotel at Palm Springs, California. The purchase price is \$1,000,000 and the company has the right at its option to issue and deliver shares of its common stock, to be taken at \$20 per share, instead of cash in satisfaction of the purchase price. The company intends to exercise such option and to pay the purchase price by delivering about 50,000 common shares, which shares also are included in the registration statement.

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