

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 November 3, 1961

RAPID-AMERICAN CORP. PROPOSES DEBENTURE RIGHTS OFFERING AND SECONDARY. Rapid-American Corporation, 711 Fifth Avenue, New York, filed a registration statement (File 2-19258) with the SEC on November 1st seeking registration of \$8,367,000 of convertible subordinated debentures due 1976. It is proposed to offer such debentures for subscription at 100% of principal amount by the holders of the company's common stock and 5-3/4% convertible subordinated debentures at the rate of \$100 of new debentures for each 25 common shares held and at the rate of \$100 of new debentures for each 25 common shares into which the presently outstanding 5-3/4% convertible subordinated debentures are convertible. The interest rate on the new debentures and the record date are to be supplied by amendment. No underwriting is involved. The statement also includes 25,000 outstanding common shares, of which 15,000 were previously issued by the company to Samuel Levy and 10,000 to Sid Luckman in partial exchange for their respective capital stock of Cellu-Craft Products Corporation, of New Hyde Park, N. Y., which the company acquired in April 1961. Such shares may be sold from time to time on the American Stock Exchange or otherwise at prices current at the time of sale.

The company, through its divisions, conducts a platemaking business and catalog mail order operation, and manufactures and sells metal signs and displays, sundry plastic toys and novelties, and packages made from transparent flexible and foil material. The company controls McCrory Corporation through its ownership of about 35% of McCrory's common stock. McCrory operates variety stores throughout the nation under its McCrory-McLellan-Green Stores Division, a national chain of men's-wear shops through its National Shirt Shops Division, and a chain of home-auto supply stores in the southwest through its Oklahoma Tire & Supply Co. Division. By means of an exchange offer, McCrory recently acquired about 91% ownership of the common stock of Lerner Stores Corporation, which operates a national chain of women's and children's wear stores under the trade name of "Lerner Shops" and three "Lanes" department stores. Net proceeds from the debenture sale will be used principally to increase the company's ownership interest in McCrory Corporation and for other general corporate purposes.

In addition to certain indebtedness, the company has outstanding 1,655,985 shares of common stock, of which management officials as a group own 21.5%. Meshulam Riklis is listed as board chairman and president of the company and board chairman of McCrory.

CONSUMERS COOPERATIVE FILES FINANCING PLAN. The Consumers Cooperative Association, 3315 N. Oak Trafficway, Kansas City, Mo., filed a registration statement (File 2-19259) with the SEC on November 1st seeking registration of \$8,000,000 of 5 1/2% subordinated certificates of indebtedness (twenty-five years), 200,000 shares of 5 1/2% preferred stock, 40,000 shares of 4% second preferred stock, and 1,000 shares of common stock. The certificates and 5 1/2% preferred shares are to be offered to members of local cooperatives and to the public, and the 4% second preferred and common shares only to member local cooperatives and local cooperatives eligible for membership in the Association. The certificates are to be offered at \$100 per unit and all three series of stock at \$25 per share. No underwriting is involved.

The Association (CCA) operates as a cooperative wholesale purchasing and manufacturing association primarily engaged in the manufacture and distribution of petroleum products, fertilizer, feed and other farm supplies. The \$14,025,000 estimated net proceeds from this financing will initially be added to general funds, from which it is estimated that \$3,238,000 will be used for the retirement of maturing certificates of indebtedness and redemption on request of such certificates prior to maturity and 5 1/2% preferred stock. CCA intends to apply the major portion of such proceeds, supplemented by earnings, depreciation and bank borrowings, to facility expansion and improvement. The proposed capital expenditure program of CCA and its subsidiaries for 1962 amounts to about \$17,500,000.

In addition to various indebtedness and three series of preferred stock, the company has outstanding 242,446 shares of common stock. Howard A. Cowden is listed as board chairman and Homer Young as president.

PURITAN SPORTSWEAR FILES STOCK PLAN. The Puritan Sportswear Corp., 813-25th Street, Altoona, Pa., filed a registration statement (File 2-19260) with the SEC on October 31st seeking registration of 23,600 shares of common stock, to be offered pursuant to its Employee Restricted Stock Options.

ELECTRONICS SECURITY CORP. CITED IN SEC ACTION. The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether provisions of that Act and the Securities Act of 1933 have been violated by Electronics Security Corporation ("Respondent"), of Minneapolis, Minn., in the offer and sale of its stock and, if so, whether the broker-dealer registration of Respondent should be revoked and whether it should be suspended or expelled from membership in the National Association of Securities Dealers, Inc.

Respondent has been registered with the Commission as a broker-dealer since August 28, 1960. Simeon Miller is president and an owner of 10% or more of its stock. According to the order of the Commission, its Division of Trading and Exchanges charges that as a result of an investigation conducted by the Chicago Regional Office information has been obtained "which tends to show" that in the offer and sale of Respondent's stock during the period May 24 to July 31, 1961, Respondent and Miller engaged in acts, practices and a course of business "which operated as a fraud and deceit" upon the purchasers, in that they

made false and misleading representations concerning (1) the underwritings and proposed underwritings of Respondent; (2) the securities or the issuers of securities involved in the said underwritings or proposed underwritings; (3) the earnings or prospective earnings of Respondent; (4) the value or prospective value of Respondent or its stock; and (5) the designation of Respondent as a holding company. The Division also charges that while engaged in the stock distribution Respondent and Miller (1) represented that the stock was being offered "at the market" or at prices related to the market without disclosing that no market existed for the stock other than that made, created or controlled by them and associated persons; and (2) bid for and purchased the stock for Respondent's own account.

The reported information, if true, "tends to show," the Division charges, that Respondent and Miller violated the anti-fraud and anti-manipulative provisions of the two Acts and rules of the Commission thereunder. A hearing will be held for the purpose of taking evidence with respect thereto, at a time and place later to be announced. On September 29, 1961, the U. S. District Court in Minneapolis, in an injunctive action filed by the Commission, preliminarily enjoined Respondent and Miller from further violations of the anti-fraud and anti-manipulative provisions of the securities laws. The defendants consented to entry of the court order.

SEC TO PARTICIPATE IN SOUTHWEST FOUNDATION PROCEEDING. The SEC has filed a notice of appearance in the Chapter X proceedings for reorganization of Southwest Foundation, Inc. (USDC N. Mex.). Waldo Spiess is the court-appointed trustee. The debtor was created as a tax free endowment fund for the benefit of St. Michael's College in Santa Fe. Its liabilities include mortgage bonds, notes and debentures of over \$3,000,000, mostly held by insurance companies; and there also appears to be a substantial public interest in companies formed by the debtor which may have claims against it. (Release CR-158).

IDS PROPOSES STOCK SPLIT. The SEC has issued an order under the Investment Company Act (Release IC-3345) giving interested persons until November 22d to request a hearing upon an application of Investors Diversified Services, Inc., Minneapolis investment company, for an exemption order under that Act permitting the issuance of 8,791,810 shares of non-voting common stock, Class A, with a par value of 10¢ per share, in exchange for 879,810 shares of non-voting common stock, Class A, with a par value of \$1 per share, in connection with a contemplated 10 for 1 split of all the existing capital stock of IDS. In addition to its outstanding non-voting common stock, Class A, IDS also has 574,540 shares of \$1 par value voting common stock presently outstanding which it proposes to exchange for 5,745,400 shares of 10¢ par value voting common stock.

SEABOARD ASSOCIATES PROPOSES REACQUISITION. The SEC has issued an order under the Investment Company Act (Release IC-3346) giving interested persons until December 4th to request a hearing upon an application filed by Seaboard Associates, Inc., New York investment company, for an exemption order under that Act permitting Seaboard to acquire 12,360 shares of its stock from Marie B. Cochran at \$17 per share. Mrs. Cochran holds more than 5% of the outstanding voting securities of Seaboard and therefore is an affiliate of the company.

ADVANCE! Following Item for Release in Morning Newspapers of November 6.

SEC PROPOSES RULE TO PROTECT SECURITIES AND FUNDS OF ADVISER CLIENTS. The SEC today announced a proposed new rule under the Investment Advisers Act (Release IA-122) designed to safeguard the interest of clients of investment advisers by requiring investment advisers who have custody or possession of funds or securities of clients to segregate the securities and hold them in safekeeping and to set up a separate trust account in a bank for funds belonging to each client. The Commission invited the submission of views and comments upon the proposal (proposed Rule 206(4)-2) not later than December 8th.

Under Section 206(4) of the Act, investment advisers are prohibited from engaging in acts or practices which are fraudulent, deceptive or manipulative; and the Commission is empowered to adopt rules which define and prescribe means reasonably designed to prevent such acts and practices. The proposed rule would implement these provisions by requiring an investment adviser who has custody or possession of funds or securities of any client to maintain them in such a way that they will be insulated from and not be jeopardized by any unlawful activities or financial reverses, including insolvency, of the investment adviser. The proposed rule would make it a fraudulent, deceptive or manipulative act, practice or course of business for an investment adviser who has custody or possession of any funds or securities in which any client has a beneficial interest to do any act or to take any action with respect to any such funds or securities unless (1) all such securities of each such client are segregated, marked to indicate the name and address of the client, and held in safekeeping in a place free from risk of destruction or other loss; (2) all such funds of each such client are deposited in a separate bank account as trustee for the particular client; and (3) the investment adviser sends each such client a monthly statement of the funds and securities in his possession, indicating their location and the manner in which they are being held.

Since certain members of national securities exchanges and registered broker-dealers must maintain specified standards of financial responsibility under the Commission's Rule 15c3-1 or applicable rules of the exchanges of which they are members, the proposed rule would exempt from these requirements registered broker-dealer subject to the Commission's Rule 15c3-1 and members of exchanges whose members are exempt from Rule 15c3-1 by paragraph (b)(2) thereof.

SECURITIES ACT REGISTRATIONS. Effective November 3: Churchill Stereo Corp. (File 2-18514); Consumers Utilities Corp. (File 2-18589); Executive Equipment Corp. (File 2-18617); Independent Telephone Corp. (File 2-18883); The Teleregister Corp. (File 2-18834); Unified Funds, Inc. (File 2-19001); Unified Funds, Inc. (File 2-19002). Withdrawn November 3: Hilltop, Inc. (File 2-16925); Midwest Technical Development Corp. (File 2-18503); Templeton, Damroth Corp. (File 2-19028).