

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 May 26, 1965

SEC ORDER CITES COSTELLO, RUSSOTTO & CO. The SEC has ordered administrative proceedings involving the broker-dealer firm of Costello, Russotto & Co., of 9301 Wilshire Blvd., Beverly Hills, Calif. Also named as respondents are Frank A. Costello, president, and the following salesmen: Bernard Livingston, Jerold Irwin Kantor, Martin A. Fleischman, Joseph Barron and Floyd Earl O'Gorman. The said firm has applied for withdrawal from registration, but action on the request has been deferred.

The proceedings are based upon staff charges that the Costello firm and the named individuals engaged in activities violative of provisions of the Federal securities laws, including alleged violations of the anti-fraud provisions of the laws in transactions with firm customers in securities of Device Seals, Inc., Lou Kornhandler, Inc., and Tabach Industries, Inc. According to the order, the firm and Costello were suspended in May 1964 from NASD membership for 60 days, for excessive markups and violation of the books and records requirements of Regulation T, and Costello was fined individually \$1,000 plus costs. The decision was affirmed by the NASD board of governors and an appeal is now pending before the Commission.

A hearing will be held, at a time and place to be announced, to take evidence on the staff charges and afford the respondents an opportunity to establish any defenses thereto, for the purpose of determining whether the alleged violations occurred and, if so, whether any administrative action of a remedial nature is appropriate in the public interest.

SEC ADOPTS CAPITAL RULE. The SEC today announced the adoption of an amendment to its net capital rule under the Securities Exchange Act (Rule 15c3-1), to provide for a \$5,000 minimum net capital requirement on broker-dealers. However, only \$2,500 of net capital is required for any firm which does not hold customers' funds or securities and whose business is limited to the sale and redemption of mutual fund shares. The new minimum net capital requirement becomes effective December 1, 1965.

The net capital rule also has been amended to modify the exemption heretofore applicable to any broker whose securities business was limited to acting as agent for an issuer in soliciting subscriptions for its securities, who promptly transmitted all funds and promptly delivered all securities received and who did not otherwise hold funds or securities for or owe money or securities to customers. This exemption will now apply only to a broker who is also licensed as an insurance agent, whose securities business is limited to selling variable annuity contracts as agent for the issuer, and who promptly transmits all funds and delivers all variable annuity contracts, and provided the issuer files a satisfactory undertaking with the Commission assuming responsibility for claims arising out of the broker's securities activities. This amendment becomes effective September 1, 1965.

All other amendments of the rule are effective July 1, 1965. These include a provision for maintenance of reserves for customers' commodity accounts, and defining a "satisfactory subordination agreement." Under this amendment, two copies of such agreements must be filed with the Commission's Regional Office for the region in which the broker-dealer maintains his principal place of business.

PENN ELECTRIC RECEIVES ORDER. The SEC has issued an order under the Holding Company Act (Release 35-15246) authorizing Pennsylvania Electric Company, Johnstown, Pa., to amend its charter, solicit proxies and acquire shares of its preferred stock. According to the application, Penelec proposes to amend its charter to increase the amount of unsecured debt securities that may be outstanding at any one time from 10% to 20% of the aggregate of its secured indebtedness, capital and surplus. All of the outstanding Penelec common is owned by General Public Utilities Corp., which proposes to vote in favor of the charter amendment. Penelec proposes to acquire not more than 40,000 preferred shares from holders who object to the charter amendment and who perfect their appraisal rights; but before offering to acquire any such shares, it will seek an SEC order of approval of the terms of such offer. If the requisite favorable vote in respect of the proposed charter amendment is received, Penelec proposes during the latter part of 1965, through an invitation for tenders, to purchase such number of preferred shares which, together with shares (if any) acquired by it from dissenting stockholders who perfect their appraisal rights, does not exceed 40,000 shares. The maximum tender prices also will be subject to a later approval order of the Commission.

COLUMBIA GAS SYSTEM SEEKS ORDER. The Columbia Gas System, Inc., New York registered holding company, has applied to the SEC for an order under the Holding Company Act authorizing it to sell from time to time by October 15, 1965, an aggregate of \$80,000,000 of unsecured short-term notes to a group of banks; and the Commission has issued an order (Release 35-15247) giving interested persons until June 17 to request a hearing thereon. According to the application, Columbia will use the proceeds from the note sale to provide funds for five of its subsidiaries to purchase inventory gas for storage.

COLUMBIA GAS SYSTEM RECEIVES ORDER. The SEC has issued an order under the Holding Company Act (Release 35-15248) authorizing The Columbia Gas System, Inc., New York, to acquire all of the common stock of Blue Ridge Gas Company, a Virginia nonassociate gas utility company. According to the application, Columbia proposes to acquire all of Blue Ridge's 300,000 common shares in exchange for 30,000 of its common shares.

OVER

POLAROID FILES FOR SECONDARY. Polaroid Corporation, 730 Main St., Cambridge, Mass. 02139, filed a registration statement (File 2-23628) with the SEC on May 25 seeking registration of 460,000 outstanding shares of common stock. The stock is to be offered for public sale by the present holders thereof through underwriters headed by Kuhn, Loeb & Co. Inc., 30 Wall St., New York 10005. The public offering price (\$65 per share maximum*) and underwriting terms are to be supplied by amendment.

The company manufactures and sells light-polarizing products and photographic equipment for amateur and commercial use. It has outstanding 15,752,700 common shares, of which management officials own 13.33%. The prospectus lists four selling stockholders, including Edwin H. Land (board chairman and president), offering 150,000 of 1,463,520 shares held; Helen M. Land, 150,000 of 1,348,076; and James P. Warburg (director), 150,000 of 186,885.

MAGNETIC MEDIA PROPOSES OFFERING. Magnetic Media Corporation, 616 Fayette Ave., Mamaroneck, N. Y. 10543, filed a registration statement (File 2-23630) with the SEC on May 25 seeking registration of 70,000 shares of common stock, to be offered for public sale at \$5 per share (with 20,000 shares being offered initially to employees and other persons designated by the company). The offering is to be made through underwriters headed by Clayton Securities Corporation, 147 Milk St., Boston, Mass. 02109, which will receive a 50¢-per-share commission. The company has agreed to sell to the underwriters for \$130, 5-year warrants to purchase 13,000 common shares at \$5 per share.

The company was organized under New York law in August 1964 to engage in the design, development, manufacture and sale of precision magnetic tape products. Of the net proceeds from its stock sale, \$240,000 will be used for working capital; \$30,000 for research and development; and \$11,000 for leasehold improvements. At the company's inception, it sold to Frank Radocy (president), Elvira Radocy and O. Louis Seda (vice president) 500 common shares for a total of \$50,000. On March 31, 1965, its outstanding shares were split on the basis of 4.2-for-1 and in May 1965, on the basis of 41-for-1. Management officials own 91.2% of the 116,809 outstanding common shares. Upon completion of the proposed sale, management officials and certain other persons will own 61.5% of the company's stock, acquired at an average cost of 72¢ per share.

FRANCIS A. CALLERY PROPOSES OFFERING. Francis A. Callery, Agent, 375 Park Ave., New York 10022, filed a registration statement (File 2-23626) with the SEC on May 24 seeking registration of \$6,000,000 of partnership interests in Exploration Venture Agency Agreements, to be offered to selected persons by partners and employees of the partnership. The minimum agreement commitment is four quarterly deposits aggregating \$30,000 annually, plus certain other costs and expenses provided for in the agreement.

Organized under New York law in 1958, the partnership will engage in the exploration for oil and gas on a continuing basis, primarily in South Louisiana and the Texas Gulf Coast. F. A. Callery, Inc., will operate the properties. Francis A. Callery is managing partner of the partnership and is board chairman of F. A. Callery, Inc.

M. THOMAS KENT AND DARWIN CHARLES BROWN SENTENCED. The SEC Washington Regional Office announced May 24 (LR-3234) that M. Thomas Kent (former official of Inter-American Timber Corporation and Venezuela Mines, Inc. defunct District of Columbia corporations) and Darwin Charles Brown (a Washington, D. C. official and attorney for said corporations) received prison sentences of from four months to one year for violations of the anti-fraud provisions of the Federal securities laws and conspiracy. Brown was also fined \$5,000 for violating the conspiracy statute; his prison sentence was suspended, and he was placed on three years' probation.

CONTINENTAL VENDING TRADING BAN CONTINUED. The SEC has issued an order suspending exchange and over-the-counter trading in securities of Continental Vending Machine Corporation for a further ten-day period, May 26 through June 5, 1965, inclusive.

RECENT FORM 8-K FILINGS. The companies listed below have filed Form 8-K reports for the month indicated and responding to the item of the Form specified in parentheses. Photocopies thereof may be purchased from the Commission's Public Reference Section (please give News Digest's "Issue No." in ordering). Invoice will be included with the requested material when mailed. An index of the caption of the several items of the form was included in the May 3 News Digest.

N Y Susquehanna & Western RR Co Apr 65 (8,11)	1-807-2	Universal Capital Corp Nov 64 (2)	2-20684-2
Giant Yellowknife Mines Ltd Apr 65 (11,13)	1-4350-2	Southern Gas & Water Co Sept 64 (11) Feb 65 (11,13)	0-961-2 0-961-2
Nuclear Cor, of America Mar 65 (6)	1-4119-2	Lansing Stamping Co Amend #1 to 8K for Jan 65 (1,7)	1-3352-2
Athey Products Corp Apr 65 (11)	1-2723-2	Honolulu Gas Co Ltd Mar 65 (11)	2-3903-2
Woman's Life Ins Co of America Inc Oct 64 (7,13) Dec 64 & Mar 65 (1,7,11,13)	2-21237-2 2-21237-2	Gov't Employees Corp Mar 65 (11)	0-414-2

FREEPORT SAVINGS AND LOAN PROPOSES OFFERING AND RESCISSION OFFER. Freeport Savings and Loan Association, Limited, P. O. Box 488, Freeport, Grand Bahama Island, Bahamas, filed a registration statement (File 2-23631) with the SEC on May 25 seeking registration of 411,785 shares of common stock. Of this stock, 50,000 shares are to be offered for public sale at \$5.60 per share through company officials.

The remaining shares being registered are the subject of a rescission offer. According to the prospectus, the company sold during the period August 1963-March 1965 an aggregate of 361,785 common shares (constituting all of its outstanding stock), of which 116,925 shares were purchased by company officials and promoters. Of the remaining 244,860 shares, 233,492 shares were sold at par value (\$2.80); 11,322 were sold for \$5 per share; and the remaining 46 shares were sold at \$5.60 per share to borrowers from the company. The prospectus states that the sale of such shares "may have been made in violation of the Securities Act of 1933 or of the Blue Sky Laws of states in which such shareholders reside;" and an offer is being made to all of the shareholders, other than the said 46 borrowers, to repurchase such securities in return for the cost thereof, plus 6% interest. Because the company, a Bahamian corporation, may not legally offer to repurchase its own share capital, the management officials and promoters, having waived all of their own rights of rescission or repurchase, are offering to repurchase 244,814 shares for their own accounts.

Organized in August 1963, the company is engaged in the business of obtaining funds of investors to be deposited in savings and accounts and lending such funds to finance the construction and improvement by others of residences and commercial establishments in the Freeport Area, by making loans secured by first liens in the form of mortgages on real estate and improvements thereon or secured by savings accounts in the company. Of the net proceeds from its sale of additional stock, \$175,000 will be used to replace funds heretofore utilized by the company in the construction of its building in Freeport, and the balance will be added to equity capital. M. Breese Provost is president.

COMMUNITY DISCOUNT CENTERS FILES FOR RIGHTS OFFERING. Community Discount Centers, Inc., 227 S. Seeley Ave., Chicago, Ill. 60612, filed a registration statement (File 2-23632) with the SEC on May 24 seeking registration of 416,190 shares of common stock. The stock is to be offered for subscription by stockholders at the rate of one new share for each two shares held on June 16 after giving effect to a proposed stock reclassification whereby the company will issue one share for each five presently held. The subscription price (\$8.50 per share maximum*) is to be supplied by amendment.

The company operates retail, self-service, discount department stores, known as "Community Discount Centers"; sporting goods stores and leased departments, known as "Mages" and "M & H"; and bowling centers. Net proceeds from its sale of additional stock will be used primarily to increase working capital and may be used to retire certain indebtedness. In addition to indebtedness, the company has outstanding 830,479 common shares (adjusted to reflect said reclassification). Management officials own 51.05% of the outstanding stock, including 45.15% owned by Charles E. Schmidt (director). Samuel P. Sharfman is president.

MACY & CO. PROPOSES RIGHTS OFFERING. R. H. Macy & Co., Inc., 151 W. 34th St., New York 10001, filed a registration statement (File 2-23629) with the SEC on May 25 seeking registration of \$23,000,000 of convertible subordinated debentures, due 1990. The debentures are to be offered for subscription by common stockholders at the rate of \$100 principal amount of debentures for each 20 shares held on June 17. Any unsubscribed debentures are to be offered for public sale through underwriters headed by Lehman Brothers, One William St., and Goldman, Sachs & Co., 20 Broad St., both of New York. The subscription price, interest rate and underwriting terms are to be supplied by amendment.

The company conducts a general department store business. Net proceeds from its debenture sale will be added to working capital and may be used principally in its expansion program. In addition to indebtedness and preferred stock, the company has outstanding 4,365,050 common shares, of which management officials own 2.83%. Jack I. Straus is board chairman and Wheelock H. Bingham is president.

O/C REGISTRATIONS REPORTED. The following issuers of securities traded over-the-counter have filed registration statements with the Commission pursuant to requirements of Section 12(g) of the Securities Exchange Act (companies which currently file annual and other periodic reports with the SEC are identified by "***"):

File No.	O-Registrant	Location
1053	Allegheny Pepsi Cola Bottling Co. **	Baltimore, Md.
1051	Consolidated Papers, Inc. **	Wisc. Rapids, Wisc.
1045	Employers Group Associates **	Boston, Mass.
1047	Ethyl Corp. **	Richmond, Va.
1049	Financial Corp. of Santa Barbara **	Santa Barbara, Cal.
1038	Fitchburg Gas & Elec. Lt. Co. **	Boston, Mass.
1055	Fla. Public Utilities Co. **	West Palm Beach, Fla.
1048	General Tel. Co. of Ill. **	Bloomington, Ill.

<u>File</u>	<u>Registrant</u>	<u>Location</u>
1054	Liberty Loan Corp. **	St. Louis, Mo.
1060	Eli Lilly & Co. **	Indianapolis, Ind.
1041	Midas-International Corp. **	Chicago, Ill.
1052	Millipore Filter Corp. **	Bedford, Mass.
1059	Nekoosa Edwards Paper Co. **	Post Edwards, Wisc.
1042	Olson Bros., Inc. **	N. Hollywood, Cal.
1039	PEC Israel Economics Corp. **	N. Y., N.Y.
1037	Pacific Far East Line, Inc. **	San Francisco, Cal.
1057	R. C. Can Co. **	Hazelwood, Mo.
1043	Walter Reade-Sterling, Inc. **	Oakhurst, N.J.
1058	Sta-Rite Products, Inc. **	Delavan, Wisc.
1044	Wash. Real Estate Investment Trust **	Wash., D. C.

SECURITIES ACT REGISTRATIONS. Effective May 25: Trans-Continental Telephone & Electronics, Inc., 2-23552 (July 5).
Effective May 26: City of Oslo, 2-23587 (July 5); Family Finance Corp., 2-23507 (July 5); Greenbelt Consumer Services, Inc., 2-23527 (40 days); Harley-Davidson Motor Co., 2-23530 (Aug 23); National Association Life Insurance Co., 2-23095 (Aug 23); Pioneer Insurance Co., 2-23340 (Aug 24); Shelby Williams Industries, Inc., 2-23509 (Aug 25); Thatcher Glass Manufacturing Co., Inc., 2-23546 (July 6); World Heritage Life Insurance Co., 2-23258 (90 days).

NOTE TO DEALERS. The last date or the period of time dealers are required to use the prospectus in trading transactions is shown above in parentheses after the name of the issuer.

*As estimated for purposes of computing the registration fee.

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