

SECURITIES AND EXCHANGE COMMISSION

NEWS DIGEST

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



Washington 25, D.C.

FOR RELEASE July 15, 1958

ARIZONA COLOR FILM PROPOSES COMMON STOCK OFFERING

Arizona Color Film Processing Laboratories, Inc., Scottsdale, Arizona, filed a registration statement (File 2-14258) with the SEC on July 14, 1958, seeking registration of 500,000 shares of its Common Stock, \$1 par value, to be offered for public sale at a price of \$2.00 per share. No underwriting is involved. Selling commissions are estimated at 10%.

The company was organized in Arizona on January 15, 1958, for the purpose of providing color film processing services for retail camera stores, drug stores, and other film outlets handling amateur film. Of the proceeds of the offering, approximately \$560,000 will be used for land, (heretofore purchased), building, and equipment, and the balance will be used for working capital.

The company is making a rescission offer with respect to shares of its stock which it offered, commencing April 8, 1958, to residents of the State of Arizona under the intra-state exemption provided by the Securities Act of 1933. Under the offer of rescission, each shareholder of record as of the effective date of the registration statement now being filed will be given an opportunity of affirming or rescinding his previous purchase.

MID-WEST DUROX FILES FOR COMMON STOCK OFFERING

Mid-West Durox Company, Kansas City, Missouri, filed a registration statement (File 2-14259) with the SEC on July 14, 1958, seeking registration of 725,000 shares of its Common Stock, \$1 par value, to be offered for public sale at a price of \$2.00 per share. An underwriting commission of 30¢ per share will be paid to Investment Sales, Inc., Denver, Colorado, underwriter of the offering.

The company was organized in Colorado on November 5, 1957, and proposes to engage in the manufacture and sale of a light weight cellular gas concrete building material known as "Durox". Proceeds from the sale of the shares, which the prospectus states are being offered as a speculation, will be used for the construction of a plant and the establishment of the company's business at Kansas City, Kansas.

DIVERSIFIED INVESTMENT FUND SEEKS EXEMPTION FOR PURCHASE OF BOSTON EDISON PREFERRED STOCK

Diversified Investment Fund, Inc., New York investment company, has applied to the SEC for an exemption order under the Investment Company Act permitting its acquisition of not more than 5,000 shares of the 4-7/8% Cumulative Preferred Stock of Boston Edison Company; and the Commission has issued an order giving interested persons until July 25, 1958, to request a hearing thereon.

Boston Edison proposed in a registration statement which was filed with the Commission which became effective on July 9, 1958, a public offering of 250,000 shares of its Cumulative Preferred Stock. Because of affiliations with members of the underwriting syndicate, the purchase by Diversified of shares of the stock being offered by Boston Edison is prohibited by the Investment Company Act unless the Commission grants the requested exemption order.

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

SEC SUSPENDS TRIUMPH MINES STOCK OFFERING

The Securities and Exchange Commission has issued an order temporarily suspending a Regulation D exemption from registration under the Securities Act of 1933 with respect to a public offering of stock by Triumph Mines, Limited, Seattle, Wash., a Canadian corporation.

The company filed with the Commission on May 24, 1955, a notification and offering circular under Regulation D (which provided a conditional exemption from registration for public offerings of securities by Canadian companies not exceeding \$300,000 in amount), covering a proposed offering of 450,000 shares of its non-assessable common voting stock at 50¢ per share. The Commission asserts in its suspension order that it has "reasonable cause to believe" that the exemption provided by Regulation D is unavailable to the offering for the reason that officers of the issuer, Samuel Arthur Liening and Robert Roy Armstrong, are subject to a permanent injunction issued by the United States District Court for the Western District of Washington, Northern Division, on April 18, 1958, enjoining, among other things, their activities in connection with the purchase and sale of securities.

The Commission's order provides an opportunity for hearing, upon request, on the question whether the suspension should be vacated or made permanent.

SEC PROPOSES RULE PERMITTING INVESTMENT COMPANIES
TO PURCHASE SECURITIES WHERE AFFILIATES
PARTICIPATE IN UNDERWRITING

The SEC today announced a proposal to adopt a new rule, Rule N-10F-3, under the Investment Company Act to permit registered investment companies, under prescribed conditions, to purchase securities during the existence of an underwriting syndicate, notwithstanding an affiliation between any such investment company and one or more members of the underwriting syndicate. The Commission has invited the submission of views and comments on the proposed rule not later than August 15, 1958.

Section 10 (f) of the Investment Company Act provides that no registered investment company shall purchase, during the existence of any underwriting syndicate, any security a principal underwriter of which is an officer, director, member of an advisory board, investment adviser, or employee of such registered company, or is a person of which any such officer, director, member of an advisory board, investment adviser or employee is an affiliated person. Such section, however, authorized the Commission, by rules and regulations, as well as by order, to exempt any such transaction from such prohibitions, if and to the extent that such exemption is consistent with the protection of investors.

The Commission's announcement states that the experience gained by the Commission in its consideration of requests for orders of exemption under this exemptive authority indicates that protection of investors may be adequately insured by the conditions and safeguards specified in the proposed rule. The announcement continued as follows:

"The [conditions and safeguards] include limitations with respect to the consideration paid, as related both to the amount of the offering and the assets of the investment company. Moreover, underwriters' commissions may not exceed stated amounts, no purchase may be made from an affiliated underwriter, and the offering must be effectively registered under the Securities Act of 1933.

"The conditions are designed to permit purchases without an exemptive order where the circumstances are such as to make it unlikely that the purchase would not be consistent with the protection of investors. The conditions relating to the per cent of offering and assets are standards which have been met by most of the purchases which we have

heretofore permitted by order. The condition that no purchase may be made from an affiliated underwriter eliminates from the operations of the rule cases where further investigation would be necessary to be satisfied that an exemption is appropriate for the protection of investors.

"The proposed limitations on underwriters' commissions were also satisfied by most of the purchases heretofore permitted by order, and it is believed that they would tend to restrict operation of the rule to investment grade offerings. It should be emphasized that purchases that do not meet the strict conditions of the rule may nevertheless be exempted by order upon application where the statutory standard is satisfied."

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For Immediate Release Tuesday, July 15, 1958

SECURITIES AND EXCHANGE COMMISSION
Washington 25, D.C.

Litigation Release No. 1305
Securities Exchange Act Release No. 5736

The Securities and Exchange Commission announced today the filing of an action in the United States District Court for the Southern District of New York against Walker-Stevens, Incorporated, a registered broker-dealer of 40 Exchange Place, New York City, Jerry S. Sperling, president of Walker-Stevens, Incorporated, twelve named salesmen of Walker-Stevens, Incorporated, John Van Allen and Brandel Trust. The complaint alleges violation of the registration and anti-fraud provisions of the Securities Act of 1933 in the offer and sale of common stock of Trans Continental Industries, Inc., a Michigan corporation, by the defendants, and seeks a temporary restraining order and preliminary and final injunction against the defendants, together with an order restraining the defendants Brandel Trust, Walker-Stevens, Incorporated, John Van Allen, Jerry S. Sperling and their officers and agents, from dissipating any of the assets of Brandel Trust in the United States and from dissipating any of the assets of Walker-Stevens, Incorporated, being principally the balance of cash payments received from customers.

Judge Edward V. Dimock of the United States District Court for the Southern District of New York, today signed a temporary restraining order and set the matter down for hearing on the Commission's motion for preliminary injunction on July 22, 1958.

In its complaint the Commission charged that the defendants have been using the mails and instrumentalities of transportation and communication in interstate commerce to transmit a prospectus relating to the securities of Trans Continental Industries, Inc., with respect to which a registration has been filed with the Commission, without such prospectus meeting the requirements of Section 10 of the Securities Act of 1933, and by the same means have delivered securities for sale which have not been accompanied or preceded by a prospectus which meets the requirements of Section 10 of the Securities Act of 1933, all in violation of Section 5(b) of that Act.

The complaint further charged that the defendants by means of long-distance telephone calls from New York to 37 of the 48 states have been selling these securities by means of false and misleading statements, including statements that the shares will double in price

in from 30 to 60 days, that the company has substantial net earnings and is about to declare and pay a substantial cash dividend, that all of the operations of the company are now making money and expanding, and that Walker-Stevens, Incorporated, is a member of the American Stock Exchange.

It is further alleged in the complaint that the defendants have omitted to disclose material facts necessary to make their statements not misleading, including the fact that Trans Continental Industries, Inc. has been operating at an overall loss since 1955 and has a substantial operating deficit and has no net earnings available for the declaration or payment of any cash dividends, and that the earnings of its Trailer Division are not available for the declaration or payment of dividends until substantial indebtedness owing to the corporation from which such Division was acquired, has been paid, together with the fact that Trans Continental Industries, Inc. has substantial debts and obligations, including contingent liabilities incurred in connection with the operations of present and former affiliated and subsidiary companies.

John Van Allen, as agent for Brandel Trust, is alleged to have entered numerous orders for the purchase and sale of securities of Trans Continental Industries, Inc. on the American Stock Exchange and to have arranged for the negotiation of an option and interim financing for the over-the-counter delivery and sale of substantial blocks of shares to and by Walker-Stevens, Incorporated, through various foreign devices and intermediaries.

On June 26, 1958 the Commission suspended trading on the American Stock Exchange and the Detroit Stock Exchange in the common stock of Trans Continental Industries, Inc. for a period of 10 days, and again suspended trading for a further period of 10 days on July 3, 1958. Upon the basis of a finding by the Commission that such suspension was necessary to prevent fraudulent, deceptive or manipulative acts or practices, trading by brokers and dealers in such stock in the over-the-counter market was also prohibited during the period of suspension by reason of Commission Rule 240.15c2-2.

In Securities Exchange Act Release 5724, announcing the original suspension, it was stated that the Commission had been informed that several broker-dealer firms were engaged in an unlawful over-the-counter distribution of these securities by means of mass mail circularization and by means of long-distance telephone solicitations employing false and misleading representations of the type referred to in the Commission's complaint above mentioned in the United States District Court, and that at the same time there had been substantial purchases of these securities on the American Stock Exchange at rising prices by a foreign source.

In view of the filing of the Commission's complaint mentioned above, and in view of the receipt by the Commission of undertakings from the corporation, its management and its largest stockholders, that none of them will sell any of the shares of the corporation now held by them until completion of the Commission's investigation, the Commission has determined that the public interest does not require further suspension of trading in the common stock of Trans Continental Industries, Inc. on the American Stock Exchange or the Detroit Stock Exchange following the expiration of the present suspension period at the close of business July 15, 1958, and accordingly trading in such securities on such exchanges and in the over-the-counter market may be resumed on July 16, 1958. The Commission's investigation is continuing.

The prospectus dated January 16, 1958 included in the registration statement of the company, which became effective on that date, does not disclose numerous material facts which have occurred with respect to the corporation and its affairs, and the Commission understands that the corporation proposes to file a suitable post-effective amendment to such registration statement for the purpose of providing the required disclosure. Until such post-effective amendment has been filed and become effective, use of the January 16 prospectus in connection with the offer and sale of the securities described in the registration statement would involve violations of the Securities Act of 1933, and until such time there is no prospectus available which could lawfully be used in connection with transactions in such securities to meet the requirements of Section 5 of the Securities Act of 1933.

The Commission is represented in the action by John T. Callahan, Special Counsel, and Edward C. Jaegerman, Trial Attorney, of the Division of Trading and Exchanges, and Paul Windels, Jr., Regional Administrator of the New York Regional Office. The investigation leading to the filing of the complaint was conducted by Mr. Callahan and Mr. Jaegerman under the supervision of Philip A. Loomis, Jr., Director of the Division of Trading and Exchanges, and with the cooperation of the New York Regional Office.