

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST

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

(In ordering full text of Releases from Publications Unit, cite number)



Washington 25, D.C.

FOR RELEASE March 3, 1959

FRANKLIN ATLAS CORPORATION OFFERING PERMANENTLY SUSPENDED

Franklin Atlas Corporation, of New York, has withdrawn its request for a hearing on the question whether to vacate, or make permanent, the October 23, 1957, order of the Commission temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a public offering of securities. The hearing has been cancelled; and the order of temporary suspension now becomes permanent.

The original suspension order of the Commission (Release 33-3857), charged that the public offering of Franklin Atlas securities "would and did operate as a fraud and deceit upon purchasers" because of false and misleading representations contained in the company's offering circular.

GOLD SEAL PRODUCTS FILES FOR OFFERING

Gold Seal Products Corp., 1137 E. Jersey St., Elizabeth, N. J., filed a registration statement (File 2-14783), seeking registration of 125,000 shares of 6½% Convertible Cumulative Preferred Stock, \$10 par. The stock is to be offered for public sale by S. D. Fuller & Co. The public offering price and underwriting terms are to be supplied by amendment. In addition to the underwriting commission, the underwriter is entitled, upon the sale of all the preferred shares, to purchase 45,000 Class A Stock Purchase Warrants at 1¢ per warrant, which warrants expire in five years and entitle the holder to purchase stock at a price per share equal to the closing price of the Class A stock on the American Stock Exchange on the date of the initial offering of the preferred stock. Upon sale of the preferred stock, Henry Sandkuhl, a director, for financial advice and services rendered as a finder in connection with this financing, also will be entitled to purchase 10,000 Class A stock purchase warrants at 1¢ per share.

Net proceeds of the sale of the preferred stock, estimated at \$1,058,250, will be applied as follows: \$437,000 to the payment of the balance due on a mortgage held by A. J. Armstrong Co., Inc.; \$140,000 to the prepayment of certain indebtedness secured by accounts receivable; \$400,000 in prepayment of two promissory notes owing to Eugene and William Kulka; and the balance to working capital.

IMPERIAL GROWTH FUND FILES FOR OFFERING

Imperial Growth Fund, Inc., 60 Marquette Ave., Minneapolis, Minn., filed a registration statement (File 2-14784) with the SEC on March 2, 1959, seeking registration of 600,000 shares of common stock. The Fund was organized under Minnesota law on October 24, 1958. It proposes to invest in companies "which appear to possess superior potential for growth over the short term or long term." Its original capital was furnished by a small group of investors in January 1959. Albert M. Sheldon, Jr., is listed as Board Chairman and Salyards Hofmeister as president. Minneapolis Associates, Inc., of Minneapolis will serve as investment adviser and manager, as well as the underwriter for the stock offering.

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

ADDITIONAL INVESTMENT SHARES REGISTERED

Selected American Shares, Inc., of Chicago, and Shareholders' Trust Fund of Boston, have filed amendments to their registration statements (File 2-10699 and 2-10675, respectively), seeking registration of additional securities, as follows: 1,250,000 shares of Selected common capital stock; and 1,000,000 shares of Beneficial Interest in the Shareholders' Trust.

MICHIGAN CONSOLIDATED GAS STOCK SALE PROPOSED

Michigan Consolidated Gas Company, Detroit, Mich., subsidiary of American Natural Gas Company, has joined with its parent in the filing of a proposal with the SEC for the sale of an additional 500,000 common shares of the subsidiary to the parent for \$7,000,000, or \$14 per share; and the Commission has issued an order (Release 35-13937) giving interested persons until March 16, 1959, to request a hearing thereon. Proceeds of the stock sale will be used by Michigan Consolidated to finance part of its construction program for 1959, estimated to involve expenditures of \$34,000,000.

OHIO POWER FINANCING PROPOSED

Ohio Power Company, Canton, Ohio subsidiary of American Electric Power Company, Inc., has joined with its parent in the filing of a proposal with the SEC whereby American will make a \$14,000,000 cash capital contribution to Ohio Power and the latter will offer for public sale at competitive bidding \$25,000,000 of First Mortgage Bonds, Series due 1989; and the Commission has issued an order (Release 35-13933) giving interested persons until March 17, 1959, to request a hearing thereon. The additional funds will be applied by Ohio Power, to the extent necessary, to prepay bank notes incurred for construction purposes (of which not exceeding \$40,000,000 may be outstanding at the time of the bond sale). Any remaining proceeds will be applied to the company's construction program.

EXTENSION FOR BANK BORROWINGS GRANTED SOUTHWESTERN ELECTRIC

The SEC has issued an order (Release 35-13936) permitting Southwestern Electric Power Company (formerly Southwestern Gas and Electric Company), Shreveport, La., subsidiary of Central and South West Corporation, (1) to renew for four months (or to July 14, 1959) all notes to banks heretofore issued under an earlier order of the Commission; and (2) to issue further notes for additional borrowings up to the original authorization of \$12,000,000, all such notes to mature July 14, 1959. The notes are to be paid out of the proceeds of the sale of bonds prior to such date.

FIRST MAINE CORP. SUSPENDED FROM NASD

In a decision announced today (Release 34-5893), the SEC suspended First Maine Corporation, 84 Exchange Street, Portland, Maine, from membership in the National Association of Securities Dealers, Inc., for a 20-day period March 3 to 22, 1959 inclusive.

The suspension was based upon violations of the Securities Act of 1933 in the offering of securities of a newly organized insurance company prior to the filing of its registration statement, use of a deficient prospectus after the statement had been filed, and false and misleading statements in the offering of the securities. First Maine filed an offer of settlement which contained a factual stipulation and consent to a 20-day suspension from the NASD.

First Maine became registered as a broker-dealer on August 27, 1957. Eurlon M. Cross is listed as president and treasurer. Cross also was the principal founder and president of the insurance company in question, Life Insurance Securities Corporation ("Lisco") and owner of 573 shares (36.7%) of its outstanding stock. Herbert L. Rackliff, an owner of equity securities of First Maine, also owns 553 shares of Lisco stock and is its vice-president. Both are directors of Lisco. In a registration statement filed by Lisco on March 23, 1958, proposing the public offering of 1,000,000 shares of capital stock at \$5 per share (which is not yet effective), First Maine is named as the principal underwriter. According to the Commission's decision, over three months before the Lisco registration statement was filed Cross and Rackliff caused First Maine

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to make large-scale distributions of circulars and other advertisements, as follows: advertisements of Lisco stock; two brochures, one entitled "The Objectives, Plans and Possibilities" of Lisco and the other "Eurton H. Cross;" and various form letters, announcements of corporate and other actions by Lisco, reprints of newspaper stories and advertisements, and similar material. The literature emphasized two primary themes, the investment attractions of the stock of life insurance companies in which it was stated Lisco would invest, and the knowledge, experience, ability and competence of Lisco's officers and directors, particularly Cross. Stress was also placed on the fact that Cross had been Governor of Maine from 1952 to 1954.

"It is apparent," the Commission ruled, "that the purpose for which this material was distributed can only have been the stimulation of interest in Lisco and its securities in order to further the ultimate distribution of such securities. Under these circumstances, we find that these documents constituted offers to sell or solicitations of an offer to buy Lisco stock" in violation of Section 5(c) of the Securities Act.

After the registration statement was filed, First Maine made more extensive distribution of material concerning Lisco. Such material obviously constitutes an offer of Lisco securities. These mailings did not meet the Securities Act requirements as to the form and content of prospectuses which may be used during the pendency of a registration statement, and therefore violated Section 5(l) (1) of the Act.

Moreover, according to the Commission's decision, the literature in question "was materially misleading in stressing the investment opportunities of life insurance companies without disclosing that the funds which the underwriters will be committed to provide to Lisco will be invested in a casualty insurance company, that such company was organized by Cross and Rackliff, and that it was not yet in operation." Furthermore, the selling literature emphasized the business experience and skill, particularly in the insurance field, of the management of Lisco and especially of Cross. "In view of the emphasis placed upon the importance of experience in the insurance business and the representation that Lisco's management had that experience, we find the literature to be misleading," the Commission stated, "in failing to state that the active officers of Lisco have had only very limited experience with an operating insurance company." Particularly misleading, the Commission noted, was the statement that Cross had resigned as president of another insurance company to devote his time and efforts to the program of Lisco when, in fact, Cross resigned as president of that company as a result of a proxy contest successfully waged by an opposing faction which had previously brought about the termination of Rackliff's connection with said company.

JAMES T. DEWITT DISBARRED

The SEC today announced the issuance of a decision "permanently disqualifying" James T. DeWitt of 927 - 15th St., N. W., Washington, D. C. from future appearance or practice before the Commission because of "unethical and improper" conduct, constituting "unconscionable repudiation of the high standards required of a member of the legal profession." (Release 33-4041).

The case arose out of DeWitt's retention in June 1957 by Cushman Food Company, Inc., of Aiken, S.C., to represent it in connection with a proposed \$300,000 stock offering. In August 1957, DeWitt filed a Regulation A notification with the Commission for the purpose of qualifying the Cushman stock offering for an exemption from the Securities Act requirement for registration. He then advised Cushman to sell the shares prior to the date permissible under the Regulation. Furthermore, included in the notification were financial statements of Cushman which were false and known by DeWitt to be false.

Moreover, in September 1957, DeWitt requested of Cushman monies which he represented, according to the Commission's decision, were to be distributed among employees of the Commission; pursuant to this request, he received \$100 which he thereafter represented to Cushman he "passed along" to such employees "whereas in fact, as he admits, no monies, gifts or inducements of any kind were given to any of our employees."

The Commission ruled that this conduct was "unethical and improper," within the meaning of its Rules of Practice. DeWitt admitted certain facts for the purpose of the Commission's proceedings, and consented to entry of the order of disqualification. In concluding that DeWitt should be permanently denied the privilege of practicing before it,

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the Commission stated:

"Respondent's conduct represented an unconscionable repudiation of the high standards required of a member of the legal profession. Particularly condemnable was his filing with us of false financial statements, which he knew to be false, and his obtaining of money from his client under the false pretense that he proposed to use that money for a stated purpose that could only be interpreted as involving an attempt to exert an illegal influence upon our staff to induce it to advance the client's interests. Aside from the unlawful nature of this conduct, it evidences a contempt for and readiness to bring into disrepute legal processes, which an attorney in particular should strive to uphold. In addition, his advice to Cushman to sell shares in advance of the time permitted, which subjected Cushman to liabilities under the Act, was made in either knowing or reckless contravention of the specific provisions of the regulation under which an exemption from registration was sought, and constitutes a further basis for concluding that his conduct was unethical and improper."

AMPHENOL-BORG ELECTRONICS FILES FOR SECONDARY

Amphenol-Borg Electronics Corporation, 1830 South 54th Ave., Chicago, today filed a registration statement (File 2-14785) with the SEC seeking registration of 100,000 outstanding shares of its Common Stock, to be offered for public sale by the holder thereof through an underwriting group headed by Hornblower & Weeks. The initial public offering price will be related to the current market for the shares on the New York Stock Exchange at the time of the offering. Underwriting terms are to be supplied by amendment.

Products manufactured by the company are of three basic types, namely, electronic components and equipment, automobile clocks and deep pile fabrics. It has outstanding 1,167,044 common shares. The selling stockholder is George W. Borg, Executive Committee Chairman, who will continue to own 44,000 shares or 3.8% of the stock after the sale of the 100,000 shares.

UNITED STATES SERVATERIA FILES FOR SECONDARY

United States Servateria Corp., 2522 South Soto St., Los Angeles, today filed a registration statement (File 2-14786) with the SEC seeking registration of 275,000 outstanding shares of its Common Stock, to be offered for public sale by the holders thereof through an underwriting group headed by Van Alstyne, Noel & Co. The public offering price and underwriting terms are to be supplied by amendment.

The company is a wholesale service distributor of non-food items primarily to food markets. It has outstanding 550,000 shares of common stock. The prospectus lists five selling stockholders, who own all but 1,279 shares of the outstanding stock, as follows: Sam Abrams, president 141,669 shares; Max Abrams, Executive vice-president, 155,151 shares; Ben Abrams, secretary-treasurer 130,197; and Ted Abrams, 15,000 shares. Max Abrams holds an additional 44,016 shares of "record only," and Ben Abrams an additional 32,239 shares of "record only." The four individuals propose to sell 94,500, 94,500, 81,000 and 5,000 shares, respectively.

CANADIAN RESTRICTED LIST Eighteenth Supplement

The Securities and Exchange Commission has added YUKON PROSPECTORS' SYNDICATE to its Canadian Restricted List, bringing the total of companies on the list to 210.

The action was based upon information indicating that the securities of the Syndicate recently have been or currently are being distributed in the United States in violation of the registration requirement of the Securities Act of 1933. Evasion of such requirement, which is applicable to securities of foreign as well as domestic companies offered for public sale in the United States, deprives U. S. investors of the financial and other information about the issuing company which registration would provide and which is essential to an evaluation of its securities.