

# 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.

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

FOR RELEASE October 2, 1959

## MEMBER FIRM EMPLOYMENT OF PHIAMBOLIS APPROVED

The SEC today announced the issuance of a decision (Release 34-6079) granting an application of the National Association of Securities Dealers, Inc., for continuance of Taussig, Day & Company, Inc., in NASD membership with Paul T. Phiambolis in its employ.

While employed by another firm in 1955, Phiambolis' registration as a registered representative was revoked by the NASD because of violations of the NASD rules of fair practice. The earlier employer, who had had knowledge of and approved these activities, had been fined \$2,000, suspended from NASD membership for 15 days and assessed the costs of the proceedings.

Since almost four years have elapsed since this revocation and the prior misconduct had been effected with the knowledge and approval of the then employer, and in view of the fact that the Taussig firm will supervise all of Phiambolis' activities, the Commission concluded that it would be appropriate to continue said firm in NASD membership with Phiambolis in its employ.

## STOP ORDER SUSPENDS HINSDALE RACEWAY REGISTRATION

In a decision announced today (Release 33-4145), the SEC suspended a Securities Act registration statement filed by Hinsdale Raceway, Inc., Hinsdale, N. H., because of false and misleading statements and omissions of required material facts therein. By stipulation, the company had admitted the misstatement and omission of material facts and consented to the issuance of the stop order.

Organized in April 1958, the company proposed to conduct harness racing on a track near Hinsdale. In a registration statement filed in December 1958, the company proposed the public offering of 1,000,000 capital trust certificates, 1,000,000 shares of common stock underlying such certificates, and \$1,000,000 of 6% debenture notes. The management created the voting trust with the intent that all stock of the company be held by the voting trustees for ten years, voting trust certificates to be issued to the beneficial owners of its stock. Three of the four voting trustees are president Alf Halvorson and two other officers and directors of the company. These three as a group with other officers, directors and proposed directors have executed with Hinsdale Raceway a 20-year management agreement renewable by the group for another 20 years.

Material deficiencies found by the Commission pertained to the disclosures in the Hinsdale Raceway registration statement and prospectus concerning its business and properties; the intended use of the proceeds of the sale of securities; the company's financial statements; and the speculative features of the offering. With respect to the latter, the Commission ruled that the prospectus was materially deficient by reason of its failure to include in the forepart thereof the facts (among others) that the company suffered a loss of over \$44,600 in its prior operations (during August and September 1958); that there is no firm commitment for the purchase of the securities to be offered and no assurance that sufficient funds will be raised to operate the raceway during the coming harness racing season; that the management intends to retain control of the company through the voting trust arrangement for ten years although substantially all the risk capital will have been contributed by the public; that the management group has no experience in race track management but has a 20-year management contract which may be extended another 20 years; that such contract authorizes compensation to the management group of a commission of 1% of the gross amount of bets placed at the track plus a fee not to exceed \$50,000 per annum; and that the promoters have been granted options to purchase 300,000 shares of stock.

OVER

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

With respect to business and properties, according to the decision, the prospectus also fails to disclose (1) the number of days of proposed operation of the track during each racing season, the nature and extent of regulation by state authorities, the distance from and population of nearby urban areas, and the extent, type and location of competition; and (2) the estimated cost of necessary facilities, the amount expended to date, the type and capacity of grandstands and other facilities presently completed or to be completed, and the size of the track.

The Commission also ruled that the prospectus is materially deficient with respect to its disclosures concerning the intended use of the proceeds of the sale of securities; that the financial statements failed to disclose, among other things, that the company owes the management group \$22,302 in connection with the 1958 operations of the track; and that the prospectus is further materially misleading in estimating gross betting of \$6,000,000 and commissions and other receipts therefrom of \$733,200 for 1959 and predicting that this would result in net earnings in that year, since such figures give an appearance of certainty of receipts and profits not warranted by the facts, particularly the limited and unprofitable nature of the track's prior operations.

#### SEC ISSUES ORDER WITH RESPECT TO FUNDAMENTAL INVESTORS ACQUISITION

The SEC has issued an exemption order under the Investment Company Act (Release 40-2915) permitting Fundamental Investors, Inc., to issue its shares at the net asset value thereof in connection with its purchase of substantially all of the cash and securities of the I. H. L. Corporation (for details, see Release 40-2911).

#### DELISTING OF MAHONING COAL STOCK APPROVED

The SEC has issued an order (Release 34-6084) granting an application of the New York Stock Exchange to delist the common stock of Mahoning Coal Railroad Company by reason of its limited distribution, effective at the close of the trading session on October 9, 1959.

#### UNLISTED TRADING IN THREE STOCKS APPROVED

The Commission has granted applications of the Philadelphia-Baltimore Stock Exchange for unlisted trading privileges in the common stocks of Corn Products Co. (Del.), Federated Department Stores, Inc., and Universal Oil Products Company (Release 34-6084).

#### WITHDRAWAL OF SEABOARD ALLIED MILLING STOCK APPROVED

The Commission has granted an application of Seaboard Allied Milling Corporation to withdraw its common stock from listing and registration on the Boston Stock Exchange, effective at the close of trading on September 30, 1959, the stock continuing to be registered on the American Stock Exchange (Release 34-6084).

#### MAYFAIR MARKETS FILES FOR STOCK OFFERING

Mayfair Markets, 4383 Bandini Blvd., Los Angeles, filed a registration statement (File 2-15679) with the SEC on October 1, 1959, seeking registration of 301,177 shares of common stock. The stock is to be offered for subscription at \$10 per share by common stockholders of record on the date the statement becomes effective, at the rate of one share for each five shares then held. No underwriting is involved.

The company is engaged in the business of operating a chain of super markets. It now has outstanding 1,505,882 common shares, 75,025 shares of \$50 par 6% preferred stock, and certain indebtedness. Net proceeds of the sale of additional common stock will be used for general corporate purposes, including expansion of the company's facilities and increase in its working capital. The company anticipates that 9 additional supermarkets will be opened by June 1960.

Of the outstanding common stock, 1,164,155 shares (77.30%) are owned by Arden Farms Co., of Los Angeles.

## PLASTIC APPLICATORS PROPOSES DEBENTURE OFFERING

Plastic Applicators, Inc., 7020 Katy Rd., Houston, Texas, filed a registration statement (File 2-15680) with the SEC on October 1, 1959, seeking registration of \$1,000,000 of Convertible Subordinated Sinking Fund Debentures due 1969, to be offered for public sale at 100% of principal amount through an underwriting group headed by A. G. Edwards & Sons. The interest rate on the debentures is to be supplied by amendment; and the underwriting commission is to be 7%. The principal underwriter also has acquired, for \$250, warrants to purchase 5,000 shares of common stock (at a price which is to be supplied by amendment).

The company's principal business is to apply internal baked plastic coatings to oil field tubular goods. Net proceeds of the sale of debentures will be used as follows: \$160,000 for repayment of bank loans; \$50,000 for expansion of the custom coating shop at its Odessa, Texas plant; \$35,000 for the construction of additional office and warehouse facilities at its Houston plant; \$40,000 for construction and equipping of a research and development building at the Houston plant; \$209,000 for anticipated future expansion of production facilities; \$110,000 for repayment of a mortgage note; \$46,000 for retirement of outstanding debentures; and \$250,000 for working capital.

The company's prospectus lists Gerhard J. Duesterberg as president. Management officials own 87,543 shares (38.38%) of the outstanding stock.

## ADDITIONAL INVESTMENT COMPANY SHARES IN REGISTRATION

The following investment companies filed amendments on October 1, 1959, to their respective registration statements, seeking registration of additional securities, as indicated: Canadian International Growth Fund Limited (File 2-12589), Montreal, 500,000 shares; Fundamental Investors, Inc. (File 2-10760), Elizabeth, N. J., 5,000,000 shares; and The Income Fund of Boston, Inc. (File 2-11293), Boston, 1,310,248 shares.

## SHOPPING CENTERS CORP. FILES FOR OFFERING

Shopping Centers Corporation, 201 Bessemer Bldg., Pittsburgh, filed a registration statement (File 2-15681) with the SEC on October 1, 1959, seeking registration of 269,230 shares of common stock. The company was organized in 1957 and its principal business is the construction, ownership and management of shopping centers. The management, however, intends to engage in all phases of the commercial business. It has constructed its first shopping center in Rockville, Md., and is now constructing a shopping center at Norfolk, Va., and has acquired the ownership of the Solon Square Shopping Center in Solon, Ohio. Akiba Zilberberg, president, and Morris Melman, Treasurer, are the organizers and principal officers. Together they own the controlling interest and a majority of the stock of Tower Development and Investment Corp., which is the third promoter. The company now has outstanding 436,613 shares of common stock, of which 427,094 shares are owned by management officials and Tower. The officials acquired 205,912 shares of this stock at \$2.50 per share and an additional 150,000 through exercise of options at \$2.75 per share. The remaining 71,182 shares were acquired as a result of a 20% stock dividend. The company also has outstanding \$692,300 of 6% debentures.

The company proposes to offer its stockholders of record October 15, 1959, the right to subscribe at \$10 per share for 87,322 additional shares at the rate of one new share for each five shares then held. The subscription rights will be given to officers and directors as stockholders; and some or all of these persons may sell all or portions of such rights. As owner of the outstanding debentures, Tower may convert said debentures into common stock at the rate of five shares of stock for each \$50 of debentures. The remaining 112,678 shares will be offered for public sale at \$15 per share. Akiba Zilberberg will serve as underwriter on a best efforts basis, for which he will receive a 10% commission.

Net proceeds of the sale of stock will be added to the general funds of the company and used to promote its general real estate business. It is proposed to apply some \$700,000 of the proceeds to the acquisition of the JANAF shopping center in Norfolk, Va., and \$1,571,026 to the purchase of land and the construction of store area, motel and two apartment buildings at Rocky River, Ohio.

## PEARCE APPOINTED TO SALT LAKE OFFICE

SEC Chairman Edward N. Gadsby today announced that J. Wooten Pearce has been named Attorney-in-Charge of the Salt Lake City Branch Office of the Denver Regional Office. Pearce joined the Denver Office staff in May 1955.

OVER

## SEC ISSUES FEE RULING IN UNITED CORP. CASE

The Securities and Exchange Commission today announced the issuance of a decision (Release 35-14047) with respect to applications for further allowances of fees and expenses in the aggregate amount of \$201,800 in connection with proceedings under Section 11(e) of the Public Utility Holding Company Act of 1935 regarding the "investment company plan" of The United Corporation. The plan, which has been consummated, provided for the transformation of United from a holding company into an investment company.

The applications of Whitman, Ransom & Coulson and Burns, Blake & Rich, counsel for United, for allowances totalling about \$75,000 were denied without prejudice to their renewal, since it was not clear to what extent the services for which compensation was sought included services rendered earlier in the proceedings in supporting prior fee applications of such counsel before the Commission and the U. S. District Court. The Commission held that such latter services were not compensable out of the United estate.

Compensation was similarly denied to Randolph Phillips, a common stockholder, and his counsel, Joseph B. Hyman, for services in supporting their prior fee applications before the Commission and the District Court. However, Phillips was allowed a fee of \$1,500 and Hyman was allowed \$1,000 for expenses in connection with a successful appeal which they had taken to the Court of Appeals to increase the compensation awarded them by the Commission and District Court in the earlier fee proceedings. Phillips was also allowed a fee of \$1,200 and his counsel, Krieger and Jorgensen, was allowed \$1,500 for services before the District Court and Court of Appeals in proceedings on the plan. Phillips was also awarded \$750 for expenses incurred in connection with activities found to be compensable. The Commission denied Phillips' claim for interest on the fees and expenses awarded him in previous proceedings, pointing out that he failed to present this claim in the earlier proceedings.

Fees of \$26,500 were allowed Drinker, Biddle & Reath and M. Quinn Shaughnessy, counsel for a committee representing holders of United's warrants which were cancelled as part of the plan; Charles Tatham, Jr., committee secretary and expert witness was allowed \$2,500; and committee members Gordon Becker and Harold Bladel were allowed \$250 each. Committee expenses of \$6,960 were also allowed. Committee members and representatives had requested an aggregate allowance of about \$83,000. However, the Commission ruled that they could be allowed only reduced compensation for their initial unsuccessful efforts to secure court reversal of Commission approval of the plan provision cancelling the warrants in view of the improbability of the success of such efforts, and that "the policy which justifies charging the reorganization estate with the costs of litigation relating to the merits of a plan was satisfied after the committee had unsuccessfully presented its contentions to the Court of Appeals and petitioned the Supreme Court for certiorari on the merits" of the plan. The majority of the Commission found it would be unfair to the United estate to charge it with the cost of services and expenses of committee representatives in subsequent extensive and likewise unsuccessful "second round" of litigation on the plan embarked upon by the committee after it secured the reversal on jurisdictional grounds of the initial Court of Appeals decision affirming the Commission's order approving the plan. The majority of the Commission also denied compensation to Berlack, Israels & Liberman, counsel for individual warrant holders, for activities in the "second round" of litigation on the plan.

Chairman Gadsby and Commissioner Sargent dissented from that part of the Commission's decision relating to the compensation of representatives of the warrant holders, stating that they would allow committee representatives compensation of \$9,000 for activities in the "second round" of litigation on the plan, would allow \$5,000 to Berlack, Israels & Liberman for services in such litigation, and would allow in full the expenses of committee representatives, aggregating \$14,532, and those of Berlack, Israels and Liberman, amounting to \$920.

---ooo0ooo---