

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 July 7, 1961

ORKIN EXTERMINATING FILES FOR SECONDARY. Orkin Exterminating Company, Inc., 713 West Peachtree St. N.E., Atlanta, Ga., filed a registration statement (File 2-18469) with the SEC on July 6th seeking registration of 360,000 outstanding shares of common stock, to be offered for public sale through underwriters headed by Merrill Lynch, Pierce, Fenner & Smith, Inc. and Courts & Co. The offering price and underwriting terms are to be supplied by amendment.

The company is engaged in pest and termite control services on a contract basis in 28 southern, central and southwestern states and the District of Columbia. It has outstanding 2,400,000 common shares, of which management officials own 57.17%. Sanford H. and William B. Orkin, vice presidents, and Bernice Orkin Kaye, propose to sell 120,000 shares each of their holdings of 778,842, 795,903 and 716,099 shares, respectively. The prospectus lists Otto Orkin as president.

COSMO BOOK DISTRIBUTING PROPOSES STOCK OFFERING. Cosmo Book Distributing Co., 1130 Madison Ave., Elizabeth, N. J., filed a registration statement (File 2-18470) with the SEC on July 6th seeking registration of 110,000 shares of common stock, to be offered for public sale at \$3 per share. The offering is to be made on an all or none basis through underwriters headed by Frank Karasik & Co., Inc., which will receive a commission of 33¢ per share. Also included in the registration statement are an additional 12,500 shares sold to Frank Karasik at 10¢ per share by certain stockholders of the company.

The company is engaged in the wholesale distribution of fiction and non-fiction, technical and academic books to retail stores, department and chain stores, public libraries, schools and other educational institutions. It also serves as consultant to book departments of department and chain store customers. It now has outstanding 200,000 common shares. The estimated \$268,000 net proceeds of the sale of additional stock will be used to retire a \$77,000 bank loan, with \$100,000 used to finance additional inventory requirements and the balance added to working capital to finance a possible increase in receivable accounts and for other corporate purposes. Of the outstanding stock, 18.71% each is owned by Milton Modell, president, Eugene Modell, treasurer, and Philip Cohen, secretary, and 10.68% and 11.51%, respectively, by Milton Siegel, vice president, and Stanley Modell, vice president.

STOP ORDER SUSPENDS NATIONAL LITHIUM REGISTRATION. The SEC today announced the issuance of a decision under the Securities Act (Release 33-4378) suspending a registration statement filed in 1957 by National Lithium Corporation, of New York City, which proposed the public offering of 3,120,000 common shares at \$1.25 per share through Gearhart & Otis, Inc., because of serious deficiencies in the informational disclosures contained in the statement and accompanying prospectus.

The company was organized in November 1956 pursuant to a contract between Gearhart & Otis, three predecessor Canadian corporations, and Alexander J. Thomas, a Canadian prospector affiliated with those corporations and the head of A. J. Thomas and Associates. It was formed for the principal purpose of acquiring and developing certain mining claims containing lithium deposits in the Yellowknife area of the Northwest Territories in Canada, which properties had been acquired by the three predecessors from Associates and others. Pursuant to the purchase contract, the properties were acquired by National Lithium in exchange for 3,380,000 of its shares issued to the predecessor companies. National Lithium also agreed to pay the vendor corporations \$400,000 and their counsel \$10,000; to sell them 1,500,000 additional shares at 15¢ per share (of which 100,000 were to be sold to a designee of Gearhart & Otis); and to issue 2,000,000 shares to Gearhart & Otis for disposition among persons it would designate. A \$105,000 cash payment was made (leaving the balance for payment out of the proceeds of the offering); the 1,500,000 shares were issued for \$225,000; and the 2,000,000 shares were issued to about 26 persons designated by Gearhart & Otis at 1¢ a share (\$20,000).

In its decision, written by Commissioner Gadsby, the Commission ruled that the company's registration statement and prospectus are false and misleading in respect of various material facts, including the identity of one of the promoters, the relationship between promoters, the acquisition and development costs expended by certain promoters on properties transferred to the company in exchange for stock and cash, the beneficial ownership of stock issued for such properties, the issuance of shares for a nominal consideration to persons designated by the underwriter, estimates of proven and probable ore reserves on the company's properties, and the market for its products and the proposed use of the proceeds of the offerings, and fail to make plainly evident the speculative features of the company's business and securities.

The Commission held that information in the company's prospectus with respect to estimates of proven and probable ore reserves, based upon a geological report prepared in November 1956 by Dr. R. G. Hoiles, was materially misleading in that Dr. Hoiles did not use the word "ore" in accordance with its generally accepted meaning, by failing to take economic factors into consideration. Moreover, no disclosure was made of the respects in which Dr. Hoiles departed from accepted procedures in his trenching, sampling and drilling, which rendered his estimates unreliable, and that he ignored unfavorable information revealed by his procedures which further diminished the reliability of his estimates. The said report and the company's prospectus also were said to be misleading in their references to transportation costs and power supply.

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With respect to the speculative features of the offering, the Commission observed that there was an inadequate discussion of these factors, which included the small equity to be received by public investors in relation to the amount invested, the high transportation and other costs in relation to the price which potential customers would be willing to pay for the company's product, the lack of power facilities, the limited nature of the market for spodumene concentrates, and the existing competition in this market by a producer more favorably situated.

The National Lithium statement had never become effective. The company sought permission to withdraw the statement, conceding that certain of the information contained therein required revision and that a further and more detailed investigation of its properties and proposed program should be conducted; and it later announced its determination to abandon any program of public financing and that it is in the process of liquidation. However, in view of the serious nature of the deficiencies found in the registration statement, and the fact that "the interests of investors are clearly involved . . ." the Commission concluded that withdrawal would not be appropriate in the public interest.

THOMAS LEF JARVIS PETITION DENIED. The SEC has issued an order under the Securities Exchange Act (Release 34-6587) denying a petition of Thomas Lee Jarvis, Evansville, Ind., for reconsideration of the Commission's May 19th decision and order (Release 34-6560) revoking Jarvis' broker-dealer registration and expelling him from NASD membership because of violations of the reporting provisions of Section 17(a) of the Act and Rule 17a-5 thereunder.

INTERCONTINENTAL MOTELS STOCK OFFERING SUSPENDED. The SEC has issued an order temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a public offering of stock by Intercontinental Motels, Ltd., of Martinsville, Va.

Regulation A provides a conditional exemption from registration with respect to public offerings of securities not exceeding \$300,000 in amount. In a notification filed on March 28, 1961, Intercontinental Motels ("Issuer") proposed the public offering of 150,000 common shares at \$2 per share pursuant to such an exemption. The Commission's suspension order asserts that the company's offering circular contained false and misleading representations of material facts and that the offering and sale of its stock would violate the anti-fraud provisions (Section 17(a)) of the Securities Act. The order provides an opportunity for hearing, upon request, on the question whether the suspension should be vacated or made permanent.

The alleged misrepresentations relate to the proposal of Intercontinental Motels to acquire the properties and assets of Fleetwood Motel Corporation, of Atlantic City, N. J., debtor in reorganization proceedings pursuant to Chapter X of the Bankruptcy Act, to which purchase the proceeds of the stock sale were to be applied, in particular (1) a statement in the Intercontinental Motels offering circular that its plan for the reorganization of the debtor was "presently before the court for consideration by the shareholders and creditors of the bankrupt;" (2) the failure to state reasons and conditions (including problems surrounding the existence of a builder's lien and the recasting of the mortgage) which may prevent the issuer's plan of reorganization for Fleetwood from being accepted by the stockholders and the creditors of the debtor, the trustee or the bankruptcy court; (3) the failure to state fully the procedure which the issuer would have to follow in order to obtain binding acceptance of its reorganization plan for Fleetwood; (4) the failure to disclose the existence of foreseeable events and reasons which would result in rejection of the issuer's plan for reorganization of Fleetwood or the acceptance of another plan; and (5) the failure to disclose that the trustee of the debtor had filed a report which indicated that he had found that he could not recommend any of the proposals before him.

APEX MINERALS TRADING BAN CONTINUED. The SEC has issued an order under the Securities Exchange Act temporarily suspending trading in the common stock of Apex Minerals Corporation, Reno, Nev., on the San Francisco Mining Exchange and the over-the-counter market for a further ten-day period July 10 to 19, 1961, inclusive.

AMERICAN PROGRAMMING HEARING POSTPONED. The SEC has authorized a postponement from July 11 to September 11, 1961, of the hearing in its Los Angeles Branch Office in proceedings to determine whether to revoke the broker-dealer registration of American Programming Corporation, of Beverly Hills, Calif.

YARBROUGH PETROLEUM HEARING POSTPONED. The SEC has authorized a postponement from July 18 to 25, 1961, of the hearing in its Los Angeles Branch Office on the question whether to vacate or make permanent an order temporarily suspending a Regulation A exemption from registration under the Securities Act with respect to a proposed stock offering of Yarbrough Petroleum Corporation, of Long Beach, Calif.

SWIFT & CO. SEEKS ORDER. Swift and Company has filed an application with the SEC under the Trust Indenture Act for an order permitting First National Bank of Chicago to serve as trustee under an indenture securing its proposed \$30,000,000 issue of debentures due 1986 to be sold to institutional investors; and the Commission has issued an order (Release TI-152) giving interested persons until July 20th to request a hearing thereon. First National Bank now serves as trustee under two other indentures securing debt securities of Swift and Company.

SECURITIES ACT REGISTRATIONS. Withdrawn July 6: Federated Reserve Life Insurance Company (File 2-16031). Effective July 7: Chemical Bank New York Trust Company, ADR's of Edwards High Vacuum Limited (File 2-18338); Muntz TV, Inc. (File 2-17803); Seeman Brothers, Inc. (File 2-18184).