

# 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 December 17, 1958

## SEC ADOPTS SMALL BUSINESS RULES

The SEC today announced the adoption of a new Form N-5 for registration under the Securities Act of 1933 of securities to be issued by small business investment companies which are licensed under the Small Business Investment Act of 1958 or which have received the preliminary approval of the Small Business Administration and have been notified by the latter that they may submit an application for such a license (Release 33-4004).

The form also may be used by such companies for purposes of registering with the Commission as investment companies under the Investment Company Act of 1940. Thus, the new combination form enables a small business investment company to register under the Investment Company Act and at the same time to register securities for public offering under the Securities Act by means of a single registration statement.

At the same time, the Commission announced the adoption of a new Regulation E providing a conditional exemption from Securities Act registration for public offerings of securities by small business investment companies in amounts not exceeding \$300,000 (Release 33-4005). In computing the \$300,000 it is not necessary to include funds received from the Small Business Administration. The new regulation is similar in many respects to the general exemption for certain securities now provided by Regulation A. It requires the filing of a notification with the Commission and, except in the case of offerings not in excess of \$50,000, the filing and use of an offering circular containing certain specified information. In general, information is required in the offering circular as to the business and investment policies of the issuer, its management and its financial condition. The financial statements required by the new regulation must be prepared in accordance with generally accepted accounting principles and practices but need not be certified by independent public accountants. The new regulation provides for the suspension of the exemption in a particular case if the Commission finds that any of the terms and conditions of the regulation have not been met or complied with.

## PENNSYLVANIA POWER PROPOSES RIGHTS OFFERING

Pennsylvania Power & Light Company, Ninth and Hamilton Streets, Allentown, Pa., filed a registration statement (File 2-14608) with the SEC on December 16, 1958, seeking registration of 295,841 shares of Common Stock. The company proposes to offer the stock for subscription by its common stockholders of record January 6, 1959, at the rate of one new share for each 20 shares then held. Employees will be given a contingent subscription privilege. The subscription price and underwriting terms are to be supplied by amendment. The First Boston Corporation and Drexel & Co. are listed as the principal underwriters.

Net proceeds of the stock sale will be added to the company's general funds, and such funds will be used for corporate purposes including construction expenditures and repayment of \$10 million temporary bank loans incurred in 1958 to reimburse the treasury for construction expenditures. The company estimates its construction expenditures for the five years ending December 31, 1963, at \$175 million, of which \$40 million is scheduled for expenditure in 1959.

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

## GENERAL TELEPHONE (CALIF.) PROPOSES PREFERRED STOCK OFFERING

General Telephone Company of California, 2020 Santa Monica Blvd., Santa Monica, Calif., filed a registration statement (File 2-14609) with the SEC on December 16, 1958, seeking registration of 500,000 shares of 5% Cumulative Preferred Stock, \$20 par, to be offered for public sale through Paine, Webber, Jackson & Curtis and Mitchum, Jones & Templeton (not on a firm commitment basis). The public offering price and underwriting terms are to be supplied by amendment.

Net proceeds of the sale of the new preferred stock will become a part of the treasury funds of the company and will be used by the company for property additions and improvements and/or to discharge in part short term bank loans, used to reimburse the treasury for funds previously used for said purposes, owing by the company. Gross property additions for the last two months of 1958 and for the year 1959 are estimated at \$13,500,000 and \$58,000,000, respectively.

## LINCOLN SECURITIES VIOLATIONS CHARGED

The Securities and Exchange Commission has ordered proceedings under the Securities Exchange Act of 1934 to determine whether the broker-dealer registration of Lincoln Securities Corp., 63-60 102nd St., Forest Hills, N. Y., should be revoked and whether Lincoln Securities should be suspended or expelled from membership in the National Association of Securities Dealers, Inc.

The Commission states in its order that an investigation conducted by its staff tends to show that Lincoln Securities, Lester Ober, president, and Murray Taylor (also known as Murray Bleefield), office manager, together with ten of Lincoln Securities' salesmen, offered and sold common stock of Shoreland Mines Limited when no registration statement for such stock had been filed with the Commission and by means of false and misleading representations concerning (1) the future price of the stock, (2) the present and future development of claims alleged to be held by Shoreland in Quebec, Canada, (3) the development and proposed development of properties alleged to be adjacent to the properties of Shoreland and controlled by certain companies whose securities are listed on a national exchange, (4) a future stock dividend on or "split" of the shares of Shoreland, (5) the ownership of certain mining claims by Shoreland, (6) the listing of Shoreland stock on a national exchange, and (7) the impending purchase of Shoreland stock by a syndicate or group at advanced prices.

The order of the Commission further asserts that this information, if true, tends to show that Lincoln Securities, Ober, Taylor and the salesmen violated the Securities Act registration requirements and "engaged in transactions, practices, and a course of business which would and did operate as a fraud and deceit upon the purchasers" of Shoreland stock in violation of the fraud prohibitions of that law. Furthermore, according to the order, Lincoln Securities and all of the individuals have been enjoined in one or more federal and/or state actions from certain acts and practices in connection with the conduct of a securities business, including violations of the registration and anti-fraud provisions of the Securities Act. Failure to amend Lincoln Securities' broker-dealer registration to reflect such injunctions also is alleged in the Commission's order.

A hearing for the purpose of taking evidence with respect to the foregoing matters will be held at a time and place later to be announced.

(NOTE TO PRESS: Foregoing also available SEC New York Regional Office.)

## SECURITIES VIOLATIONS CHARGED TO VICKERS BROTHERS

The Securities and Exchange Commission has ordered proceedings under the Securities Exchange Act of 1934 to determine whether the broker-dealer registration of Vickers Brothers, 37 Wall St., New York, should be revoked and whether it should be suspended or expelled from membership in the National Association of Securities Dealers, Inc. General partners of the firm are listed as Henry G. Vickers, Norman L. Martin, Joseph F. Rubacky, Jr., Sydney G. Vickers, Jr. (until November 12, 1958), and William J. Christy (until October 21, 1957).

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The Commission states in its order that an investigation conducted by its staff tends to show that during the period June 1957 to date the Vickers firm and its partners "engaged in acts, practices and a course of business which operated as a fraud and deceit upon certain customers," in that they induced certain customers to purchase certain securities and obtained from such customers full payment therefor under representations that the securities would be held in safekeeping, when in fact they intended to and did, in certain instances, pledge such securities as collateral for loans to the partnership and in certain other instances delivered such securities to other broker-dealers to cover the partnership's short sales, "thereby converting such securities of such customers to the use and benefit of registrant and registrant's partners without the knowledge and consent of such customers." Unauthorized hypothecation of customers securities under circumstances which permitted their commingling with securities carried for the accounts of other customers and with securities carried for the account of a firm under a lien for a loan made to it, as well as the conduct of a securities business when the firm's indebtedness exceeded the 2,000% of net capital maximum prescribed by law, also is asserted by the Commission.

These practices, the Commission alleges, is violative of the anti-fraud and other provisions of the Federal Securities Laws. A hearing for the purpose of taking evidence with respect hereto will be held at a time and place later to be announced.

(NOTE TO PRESS: Foregoing also available SEC New York Regional Office.)

#### INDIANA & MICHIGAN ELECTRIC FINANCING POSTPONED

The SEC has issued an order (Release 35-13889) granting a request of American Electric Power Company, Inc., and its subsidiary, Indiana & Michigan Electric Company, for an extension to March 31, 1959, of the period within which to consummate a previously-approved financing proposal of the subsidiary. This proposal contemplated the issuance and sale by the subsidiary of \$20,000,000 of bonds at competitive bidding and one or more cash capital contributions by the parent to the subsidiary aggregating \$13,500,000. Payments under the subsidiary's construction program are less than originally contemplated; and this fact coupled with its ability to use the proceeds of the cash capital contribution from the parent for construction expenditures will enable the subsidiary to defer the date for submission of proposals for purchase of the bonds beyond that permitted in the Commission's earlier approval order.

#### ZECKENDORF SEEKS EXEMPTION ORDER

William Zeckendorf has joined with the Webb & Knapp, Inc. Profit Sharing Trust, of which he is one of three trustees, in the filing of an application with the SEC for an order under the Holding Company Act approving certain acquisitions of Chesapeake Industries, Inc., stock; and the Commission has issued an order (Release 35-13888) giving interested persons until January 5, 1959, to request a hearing thereon.

Chesapeake is an exempt holding company, (its subsidiaries include Portsmouth Gas Company). According to the application, Zeckendorf on February 20, 1957, purchased 186,038 shares of Chesapeake common from Robert R. Young (deceased), as a result of which Zeckendorf became the owner of 303,000 shares, or in excess of 5% of the outstanding voting securities of Chesapeake. Subsequently, Zeckendorf acquired additional shares from time to time and now owns 423,424 shares. In addition members of his family acquired and now own 266,769 shares.

On July 25, 1947, Webb & Knapp, Inc., organized the Trust, a profit sharing trust for the benefit of Webb & Knapp employees; and on September 24, 1958, the Trust purchased on the over-the-counter market 5,200 shares of Chesapeake common, as a result of which it became the owner of 163,900 such shares, or in excess of 5% of the outstanding voting securities of Chesapeake. Subsequent to September 24, 1958, the Trust acquired additional shares of Chesapeake common and now owns 229,200 shares of such stock.

Zeckendorf and the Trust now seek an order of the Commission approving their acquisitions of Chesapeake stock. They state that at the time of the acquisitions on February 20, 1957, and September 24, 1958, respectively, they were not aware that such acquisitions would constitute each of them an affiliate of a public-utility company and of a holding company within the meaning of the Holding Company Act and, therefore, did not seek approval of such acquisitions, as is required.

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FLORIDA GROWTH FUND TO PURCHASE UNION FINANCE DEBENTURES

Florida Growth Fund, Inc., Palm Beach, Fla., investment company, has applied to the SEC for an order of exemption under the Investment Company Act permitting its purchase of \$50,000 of 6% Convertible Capital Debentures of Union Finance Corporation; and the Commission has issued an order (Release 40-3808) giving interested persons until 1:30 P.M., December 30, 1958, to request a hearing thereon.

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