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 October 13, 1959

SALE OF VIRGINIAN RAILWAY STOCK PROPOSED BY INCORPORATED INCOME FUND

Incorporated Income Fund, investment company, has applied to the SEC for an exemption order under the Investment Company Act permitting its sale of 45,000 shares of Virginian Railway Company stock to Incorporated Investors, an affiliated investment company; and the Commission has issued an order (Release 40-2917) giving interested persons until 12:30 P. M. October 26, 1959, to request a hearing thereon.

The two investment companies have identical directors and officers; and The Parker Corporation acts as investment adviser and principal underwriter for each. The Virginian Railway stock is to be sold by Income Fund to investors at the current market price of such stock on the New York Stock Exchange at the time of the transaction. The sale and purchase are said to be in furtherance of the respective investment policies of the two companies.

MODIFICATIONS OF SERVICE COMPANY ARRANGEMENTS APPROVED

The SEC has issued an order (Release 35-14074) under the Holding Company Act granting petitions of four former subsidiaries of The Middle West Corporation for a modification of a 1949 order of the Commission which approved, as steps in the dissolution of the parent, certain transfers of the stocks of the said subsidiaries. The companies are Middle West Service Company, Illinois Stock Transfer Company, Bureau of Safety, and Insurance Trust Fund.

The 1949 order related to the transfer by the parent, without consideration, of the capital stocks of Service Company, Transfer Company, and Safety to seven individuals who were officers and department heads of one or more of such service companies. Service Company proposed to render services to former associates and other clients at other than cost. Transfer Company, Safety and Trust Fund proposes to render services to former associates at cost. The 1949 order also related to a profit-sharing arrangement for those employees of Service Company who did not become stockholders thereof and for the disposition by the parent of its interest in Trust Fund. The petitions sought certain modifications of the conditions imposed by the Commission in the 1949 order approving the transactions then proposed.

J. M. SMUCKER CO. FILES FOR SECONDARY

The J. M. Smucker Company, Orrville, O., filed a registration statement (File 2-15709) with the SEC on October 12, 1959, seeking registration of 165,000 outstanding shares of common stock, to be offered for public sale by the present holders thereof through an underwriting group headed by McDonald & Company. The public offering price and underwriting terms are to be supplied by amendment. The company will receive none of the proceeds.

The company is engaged principally in the production and sale of apple butter, preserves, jams, jellies, and ice cream toppings. It has outstanding 495,000 common shares. The prospectus lists five selling stockholders who now own 356,000 shares (71.92%), as follows: Willard E. Smucker, president, 89,000 shares; Welker J. Smucker, vice president, 100,000; and Harold Good, Wilma S. Good, and Winna E. Hostetler, directors, 40,000, 63,500 and 63,500 shares, respectively. They propose to sell 15,000, 50,000, 20,000, 30,000 and 50,000 shares, respectively.

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FARMBEST FILES FINANCING PROPOSAL

Farmbest, Inc., Denison, Iowa, filed a registration statement (File 2-15711) with the SEC on October 12, 1959, seeking registration of 6,000 shares of common stock (Nondividend bearing) and $200,000 Retain Capital Certificates (Nondividend bearing - fifteen years). These securities are to be offered for public sale at $1 per common share and 25¢ per unit of certificates. No underwriting is involved. The securities are to be sold only to producers of agricultural products and cooperative associations of such producers. One share of common stock is required for membership in Farmbest. An investment of 25¢ per head of livestock marketed through Farmbest is required from each member.

Farmbest is a subsidiary of The Consumers Cooperative Association and was organized in June 1959 as a cooperative marketing and purchasing association to provide farmers and cooperative associations of individual farmers with a cooperatively controlled swine marketing and processing program. It now owns and operates the Crawford County Packing Company, a hog-slaughtering concern. The Packing Company is to be liquidated into Farmbest, which will begin to operate as a cooperative marketing and processing association. Farmer-members will then be able to sell their hogs to their own association, which in turn will sell its pork products under its own brand name.

Net proceeds of the sale of securities will be added to the general funds of Farmbest and will be available for any corporate purpose, including increased working capital, expansion of facilities and operations, and development of market outlets for finished products.

BLANCH-ETTE FILES FOR COMMON STOCK OFFERING

Blanch-Ette, Inc., 10232 South Kedzie Avenue, Chicago, Illinois, filed a registration statement (File 2-15710) with the SEC on October 12, 1959, seeking registration of 400,000 shares of common stock. The stock is to be offered at $1 per share to independent dealers who handle the company's lines of lingerie and costume jewelry. Any remaining shares will be offered to the public.

The company employs the "party plan" of selling and its independent dealers, who now number over two thousand are mostly housewives. It has outstanding 500,000 shares of stock, all but ten shares being held by Blanche and Aldo Viano, president and secretary-treasurer, respectively.

Proceeds from the sale of additional stock will be used in establishing new dealerships, increased inventories, advertising and working capital.

SEC SUSTAINS NASD REVOCATION OF CHALIKIAN

In a decision announced today (Release 34-6086), the Commission dismissed a petition of Raymond G. Chalikian, 3929 Walnut St., Philadelphia, for review of an order of the National Association of Securities Dealers, Inc., revoking his registration as a registered representative of Reynolds & Co. an NASD member.

The NASD had found that Chalikian had deceived a customer as to the status of his account and forged the customer's signature to a margin agreement, and that such conduct violated the NASD rules of fair practice. The Commission sustained the findings of the NASD and held that the penalty imposed was not excessive or oppressive.

According to the Commission's decision, Chalikian was employed by Reynolds between 1955 and August 1957. In 1951, while employed by another firm he entered into an arrangement with a customer, with whom he had close social and family connections, under which Chalikian was authorized to purchase securities for the customer and share in the profits thereon. Pursuant to this arrangement Chalikian purchased 200 shares of American Power and Light stock for the customer in February 1959. That purchase, as well as subsequent purchases for the customer, was reflected in the account of Chalikian's wife, with the customer's knowledge, so that Chalikian could receive credit for the commissions thereon. Shortly thereafter, upon a decline in the market price, Chalikian sold those shares at a loss and with the sales proceeds purchased another security whose market price subsequently also declined and which he also eventually sold at a loss. The customer was unaware of these changes and believed that the American Power and Light shares were still held, since in the ensuing years Chalikian personally made payments to him in amounts equal to the dividends declared by that company in order to conceal the true status of the account.

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In August 1956 the customer requested a list of his holdings and Chalikian sent him a statement on a Reynolds form, which purported to show the holdings of the customer in Chalikian's wife's account. However, Chalikian had himself prepared the statement and none of the securities listed were actually in the account at that time.

In December 1955, Chalikian signed the customer's name to a margin agreement with Reynolds in connection with the purchase of stock on behalf of the customer. Chalikian claims that this was done with the prior consent of the customer and that at all times thereafter the latter was aware that he had a margin account with Reynolds. As proof of this he has shown that 18 monthly statements were mailed to the customer showing securities held on margin and that in 1956 the customer deducted from his income tax the interest charges on the margin account. The customer denied that he consented to or had knowledge of the existence of a margin account.

While conceding that his conduct was irregular and that the customer was "misled," Chalikian objected to the NASD finding that he "deceived" the customer, particularly because this implies a fraudulent intent. "Whatever Chalikian's motives may have been in attempting to conceal from the customer transactions made in his account," the Commission stated, "the fact remains that his conduct clearly was not permissible" and that it violated the NASD rules of fair practice.

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