



# 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 6, 1959

## REVISED "FOREIGN TRANSACTIONS" RULE PROPOSED

The SEC today announced a revised proposal (Release 34-5900) for the adoption of a new Rule 17a-8 under the Securities Exchange Act of 1934 to require members, brokers and dealers to file reports of foreign transactions in securities; and it invited the submission of views and comments thereon not later than April 15, 1959.

The earlier proposal, issued September 12, 1958, would have required brokers and dealers to report promptly to the Commission each transaction with a non-resident of the United States involving a significant amount of any security. Each report would have had to include information about the security, the amount involved, the name and address of the person for whose account the transaction was effected, and, in certain situations, the name and address of the person from whom the securities were purchased. Many valuable comments and suggestions with respect to this proposal were received including that the proposal would have required the reports to disclose the names of customers and other details of many lawful transactions; that by reason of the definition of the words "significant amount" it would have required brokers and dealers to maintain extensive additional records on a day-to-day basis in order to file reports promptly within the time required; that it would have required specific reports with respect to various types of transactions about which there was no reason to require reports; and that sometimes it would not be possible for the broker-dealer filing the report to obtain all the information which had to be included in it.

In the revised proposal the Commission has attempted to eliminate many of the problems and overcome many of the objections expressed in the comments. As revised, the proposal would require members, brokers and dealers subject to the rule to file only one report each month showing the total amount of foreign transactions in each different security during the period covered by the report. The reports would not have to furnish the names of the customers or other principals in the transactions, but only the name and title of the security, and the total amount of each such security purchased and sold as principal, as agent, and in any other capacity, during the period. In addition, the rule would specify various types of transactions which would not have to be covered in the report.

For purposes of the rule, a "foreign transaction" would be defined to mean a purchase or sale (1) in which the order to purchase or sell is received from, or the securities or funds involved are received from or delivered to, any place not subject to the jurisdiction of the United States, or (2) in which the member, broker or dealer knows or has reason to know that the transaction is being effected by, through, or for any person who is outside the jurisdiction of the United States.

As previously noted, the distribution of securities into the United States by or on behalf of foreign persons and institutions in violation of the registration and anti-fraud requirements of SEC laws and rules has been a source of concern to the Commission for some time, and there is reason to believe that foreign agencies and intermediaries have on occasion been employed to facilitate these violations and to hinder the enforcement of the federal securities laws. It has been suggested that the Commission would be in a position to cope with the problem more effectively if it received from members, brokers and dealers reports which would help it to determine the foreign sources of any unusual activity in any particular security.

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

## PROCEEDINGS ORDERED AGAINST KIMBALL SECURITIES

The Securities and Exchange Commission has ordered proceedings under the Securities Exchange Act of 1934 to determine whether it is necessary or appropriate in the public interest or for the protection of investors to revoke the broker-dealer registration of Kimball Securities, Inc., 40 Exchange Place, New York. Also involved is the question whether Kimball Securities should be suspended or expelled from membership in the National Association of Securities Dealers, Inc.

According to the Commission's order, Frank S. Kimball is a director and president and Joseph C. Kimball is a director and secretary-treasurer of Kimball Securities; each is also a director of the company; and Michael M. Ackman is the company's sales manager. The order further states that Kimball Securities and the three named individuals were permanently enjoined on February 6, 1959, by final judgment of the United States District Court for the Southern District of New York, entered on consent of the defendants in an action filed by the Commission, from engaging in or continuing certain conduct or practice in connection with the purchase or sale of securities. (The Commission's complaint in this action charged violations of the anti-fraud provisions of the Securities Act of 1933 in the offer and sale of common stock of Perry Oil Company, Inc., formerly Mark, Inc.)

A hearing for the purpose of taking evidence in the foregoing matter will be held, at a time and place later to be announced.

## COLUMBIA GAS PROPOSES RIGHTS OFFERING

The Columbia Gas System, Inc., 120 E. 41st St., New York, filed a registration statement (File 2-14802) with the SEC seeking registration of 1,799,057 shares of Common Stock, to be offered for subscription by its common stockholders on the basis of one new share for each fifteen shares held of record April 1, 1959. Offering of the stock will be underwritten by means of competitive bidding, the company to fix the subscription and offering price.

Net Proceeds of the stock sale, together with the proceeds from the sale later in 1959 of an additional issue of the company's Senior Debentures of approximately \$35,000,000, will be used to finance the major part of the System's 1959 construction program. This program will require expenditures estimated at \$95,000,000 and the balance of the amount required will be obtained from funds on hand at the beginning of the year or to be generated from 1959 operations.

## SEC GIVES NOTICE OF COLUMBIA GAS OFFERING

The Columbia Gas System, Inc., of New York, also has applied to the SEC for an order under the Holding Company Act with respect to its proposed rights offering of an additional 1,799,000 common shares to finance System construction expenditures, as outlined above; and the Commission has issued an order giving interested persons until March 24, 1959, to request a hearing thereon.

## INTER-MOUNTAIN TELEPHONE FILES FOR RIGHTS OFFERING

Inter-Mountain Telephone Company, Sixth & Crumley Streets, Bristol, Tenn., filed a registration statement (File 2-14803) with the SEC on March 5, 1959, seeking registration of 399,000 shares of Common Stock-Voting, which is to be offered for subscription by common stockholders of record March 20, 1959, in the ratio of two shares for each five shares then held. The offering of 219,341 shares to stockholders, other than the two principal stockholders, is to be underwritten by a group of eight underwriters headed by Courts & Co. The offering price and underwriting terms are to be supplied by amendment. The two principal stockholders are Southern Bell Telephone and Telegraph Company of Atlanta, Ga., (38.8%) and the Chesapeake and Potomac Telephone Company of Virginia, Washington, D. C.

Net proceeds of the stock sale will be applied toward the reduction of amounts owed the company on short-term notes to banks, which notes on February 28, 1959, amounted to \$5,500,000. The borrowings were made for general corporate purposes, including property additions and improvements. The company expects to renew the short-term notes to banks.

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## INVESTMENT FUNDS REGISTER ADDITIONAL SHARE

The following companies filed amendments to their respective registration statements on March 4, 1959, seeking registration of additional securities, as indicated: Massachusetts Hospital Life Insurance Company, Trustee of Massachusetts Life Fund (File 2-11546), 600,000 shares of Beneficial Interest and 3,500 Trust Certificates; Institutional Shares, Ltd. (File 2-13945), of New York, 3,099,900 Institutional Growth Fund shares; and First Investors Corporation of New York (File 2-14151), \$100,000,000 of Periodic Payment Plans (F and FN) and Single Payment Plans (FP) . (amendment filed March 5, 1959).

## RITTER FINANCE PROPOSES PREFERRED STOCK OFFERING AND SECONDARY

Ritter Finance Company, Inc., Syncote, Pa., filed a registration statement (File 2-14800 with the SEC on March 5, 1959, seeking registration of 30,000 shares of Cumulative Convertible Preferred Stock, 6% Series, \$50 par, and 25,000 outstanding shares of Class B Common Stock, \$1 par (Non-Voting). Public offering of the preferred and common shares is to be made through an underwriting group headed by Stroud & Co., Inc. The public offering price and underwriting terms are to be supplied by amendment. The Class B common shares will be offered for the account of the holders thereof, and no part of the proceeds of such sale will be received by the Company.

Ritter Finance and its subsidiaries are engaged in the business of making small loans to individuals in Pennsylvania and five other states. Net proceeds of its sale of the preferred share will be added to the general funds of the company and initially used to reduce temporarily notes payable to banks. Part of such proceeds may be used to purchase the assets or securities of other finance companies.

The company has outstanding 150,000 shares of Class A common and 1,028,159 shares of Class B common. The 25,000 shares of Class B common are being sold jointly by Rolland A. Ritter and Lullis M. Ritter, of Rydal, Pa., who own an aggregate of 40,437 shares. Rolland A. Ritter is listed as company president and treasurer. The two selling stockholders also own 87,950 shares of Class A common.

## BASIC ATOMICS FILES FOR SECONDARY

Basic Atomics, Inc., 36 West 44th St., New York, filed a registration statement (File 2-14801) with the SEC on March 5, 1959, seeking registration of 444,246 outstanding shares of its common stock, to be offered for public sale by the holders thereof from time to time in the over-the-counter market at the market price prevailing at the time of the sale. No underwriting is involved, the company will receive none of the proceeds.

The prospectus lists 42 selling stockholders. The largest blocks are being sold by M. Mac Schwebel (87,396 shares); Carroll Rosenbloom (78,396); W. Keyser Manly (57,702); Mr. & Mrs. Albert Kravitz (66,816); Janice W. Herzenberg (16,500); and Phoebe A. Guibert (22,500).

## INVESTORS DIVERSIFIED SERVICES SEEKS EXEMPTION ORDER

Investors Diversified Services, Inc., of Minneapolis, underwriter and distributor for shares of five affiliated open-end companies, has joined with such companies in the filing of an application with the SEC for an exemption order under the Investment Company Act permitting the sale of shares of the open-end companies to certain Associations for the account of the individual members of said Associations on the basis of a reduced sales load applicable to quantity purchases; and the Commission has issued an order giving interested persons until March 19, 1959, to request a hearing thereon.

Two of the Associations in question are the Los Angeles Physicians Retirement Association and Los Angeles Dentists Retirement Associations, non-profit California membership corporations having as members, respectively, approximately 1100 physicians and 500 dentists. A third is the University Retirement Investment Association composed of 230 members who are full-time faculty and staff personnel of the University of Minnesota.

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Under the Commission's Rule 22d-1, effective March 20, 1959, sales of the shares to the three Associations may not be made at the quantity discount rate of sales charge which now applies. The applicant companies assert that the plans under which shares have been sold to the three Associations involve vital long-term retirement planning by several hundred people which cannot be summarily terminated; and they seek an exemption order permitting a continuance of the arrangements now existing for a temporary period to and including August 20, 1959.

#### GENERAL TRANSISTOR PROPOSES OFFERING

General Transistor Corp., 91-27 138th Place, Jamaica, N.Y., filed a registration statement (File 2-14804) with the SEC on March 5, 1959, seeking registration of 40,000 shares of Common Stock, to be offered for public sale through an underwriting group headed by Kidder, Peabody & Co. and Hayden, Stone & Co. The initial offering price will be related to the current market for the outstanding stock on the American Stock Exchange at the time of the offering.

The registration also includes an additional 26,841 common shares to be offered pursuant to options granted or to be granted to officers and key employees of the company.

Net Proceeds of the stock sale will be added to the general funds of the company. The company contemplates the expenditure of \$675,000 for the purchase of additional machinery and equipment to be used to expand its manufacturing capacity in existing products including silicon transistors, and to produce advanced types of transistors and diodes currently being developed. In addition, \$165,000 is to be used to purchase research equipment to augment the existing research facilities of the company. The company also plans to expend \$425,000 for the construction of a new research and administration building adjacent to its Jamaica plant; and \$200,000 is to be expended for alterations and improvements to its plant in Woonsocket, R. I. The company also plans to repay its outstanding \$225,943 of 5½% Term Loan due March 31, 1963; and it may prepay the \$64,400 balance of a 6% purchase money mortgage. The remainder of the proceeds will be added to working capital, as will the proceeds of the sale of stock upon exercise of outstanding options and warrants.

#### PUBLIC SERVICE OF N. M. FILES FINANCING PROPOSAL

Public Service Company of New Mexico, 424 Central Ave., S.W., Albuquerque, today filed a registration statement (File 2-14805) with the SEC seeking registration of 56,000 shares of Cumulative Preferred Stock, 1959 Series (\$100 par), with attached warrants entitling the holders thereof to purchase an aggregate of 168,000 common shares. The preferred stock (with warrants) is to be offered for public sale through an underwriting group headed by Allen & Company, Lehman Brothers, Bear, Stearns & Co., E. F. Hutton & Company, and Salomon Bros. & Hutzler. The dividend rate, public offering price and underwriting terms are to be supplied by amendment. Of the 56,000 shares (with warrants), 2,000 are to be offered to company employees at the public offering price.

Net proceeds of the sale of the stock, together with funds from operations and from the proceeds of prior financing, will be used to provide the company with sufficient funds for its construction program until the latter part of 1959, and for other corporate purposes, including the repayment of \$1,000,000 of bank borrowings. 1959 construction expenditures are estimated at \$10,501,000.

#### GRAY DRUG STORE PROPOSES DEBENTURE OFFERING

Gray Drug Stores, Inc., 2400 Superior Ave., Cleveland, today filed a registration statement (File 2-14806) with the SEC seeking registration of \$2,313,500 of Convertible Debentures, due 1974. The company proposes to offer the debentures for subscription by its common stockholders on the basis of \$100 of debentures for each seven shares held. The interest rate, record date, subscription price and underwriting terms are to be supplied by amendment. Merrill Turben & Co., Inc., is listed as the principal underwriter. Net proceeds of the sale of the debentures will be applied first to the retirement of the company's term loan indebtedness amounting to some \$445,000 and the prepayment of the balance (\$183,350) of a note issued by the company as part of the consideration for the assets of The King Drug Company acquired in 1958. Some \$500,000 will be used to finance in part capital expenditures in connection with the opening of new stores planned for 1959 and 1960. The balance of the proceeds will be used to



provide additional working capital on a permanent or long-term basis.

ORDERS ISSUED CONCERNING UNLISTED TRADING AND DELISTINGS

The SEC has issued orders as follows under the Securities Exchange Act of 1934 (Release 34-5902): (1) Order granting application of Cincinnati Stock Exchange to strike common stock of Aluminum Industries, Inc., from listing and registration, effective at close of trading session March 20, 1959 some 91.5% of the shares are owned by Gera Corp.); (2) orders granting applications of the Detroit Stock Exchange for unlisted trading privileges in 20 Guilder Shares of Royal Dutch Petroleum Co., the New York Shares of "Shell" Transport & Trading Co. Ltd., and the common stock of Celanese Corporation of America, Kaiser Aluminum & Chemical Corp., Monsanto Chemical Company, Olin Mathieson Chemical Corp., Sperry Rand Corp., and Reynolds Metals Company; (3) orders giving interested persons until March 18, 1959, to request hearings upon applications of the Philadelphia-Baltimore Stock Exchange for unlisted trading privileges in the common stocks of Carter Products, Inc., and Winn-Dixie Stores, Inc., (4) order giving interested persons until March 18, 1959, to request a hearing upon an application of the American Stock Exchange to strike from listing and registration the Class A Common Stock of Black, Starr & Gorman (all but 20,680 shares of which are owned by Gorham Mfg. Co.); and (5) order giving interested persons until March 20, 1959, to request a hearing upon an application of the Philadelphia-Baltimore Stock Exchange to strike from listing and registration the Capital Stock of The National Capital Bank of Washington, the application being filed at the request of the Bank by reason of the inactivity of the stock on said Exchange.

CORRECTION: In Release 34-5895, with reference to the application of Buffalo-Eclipse Corp. to withdraw its common stock from listing on the Boston Stock Exchange, it was incorrectly stated that all but 9,766 shares were owned by Houdaille Industries, Inc., whereas the Commissions' order recited that stockholders in New England have been reduced to 165, holding only 9,766 shares, through the acquisition of shares by Houdaille. The stock remains listed on the American Stock Exchange.

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