

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 April 25, 1960

Statistical Release No. 1675. The SEC Index of Stock Prices, based on the closing price of 265 common stocks for the week ended April 22, 1960, for the composite and by major industry groups compared with the preceding week and with the highs and lows for 1960, is as follows:

	1939 = 100		Percent Change	1960	
	4/22/60	4/15/60		High	Low
Composite	396.6	404.5	-2.0	432.5	391.2
Manufacturing	475.2	484.8	-2.0	538.9	472.0
Durable Goods	456.7	468.0	-2.4	521.6	453.4
Non-Durable Goods	482.9	490.9	-1.6	544.4	479.9
Transportation	290.2*	295.8	-1.9	329.3	290.2
Utility	232.3	237.6	-2.2	237.6	216.1
Trade, Finance & Service	434.8	437.3	-0.6	446.5	414.7
Mining	257.2*	266.0	-3.3	299.7	257.2

*New Low

SECURITIES ACT REGISTRATION STATEMENTS. During the week ended April 21, 1960, 32 statements were filed, 31 became effective, one was withdrawn, and 400 were pending at the week-end.

NOTICE GIVEN OF MICH.-WISC. PIPE LINE FINANCING. The SEC has issued an order under the Holding Company Act (Release 35-14220) giving interested persons until May 23, 1960, to request a hearing on the bond financing proposal of Michigan Wisconsin Pipe Line Company, Detroit. As previously reported (News Digest of April 21, 1960), the Pipe Line Company proposes to issue and sell \$30,000,000 of bonds at competitive bidding and to use the proceeds to finance, in part, its 1960 construction program estimated to cost \$74,000,000.

SMALL BUSINESS CO. EXEMPTED. The SEC has issued an order under the Investment Company Act (Release 40-3019) declaring that The Third's Small Business Investment Company, Nashville, Tenn., has ceased to be an investment company within the meaning of that Act. In view of the ownership of all the company's outstanding stock by Third National Bank in Nashville and Third National Company, it qualifies for exemption from the Investment Company Act by reason of SEC Rule 3c-2 adopted subsequent to its registration.

TRI-STATE PETROLEUM 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 Tri-State Petroleum Corporation, 1403 G. Daniel Baldwin Building, Erie, Pennsylvania.

Regulation A provides a conditional exemption from registration for public offerings of securities not exceeding \$300,000 in amount. In a notification filed with the Commission on November 12, 1959, Tri-State Petroleum proposed the public offering of 199,900 common shares at \$1.50 per share pursuant to such an exemption. The Commission's suspension order asserts that certain terms and conditions of Regulation A were not complied with by the company; that its offering circular is false and misleading by reason of its failure to disclose certain material facts; and that the stock offering would be and is being made in violation of Section 17 (the anti-fraud provision) of the Act. The order provides an opportunity for hearing, upon request, on the question whether the suspension should be vacated or made permanent.

According to the Commission's order, (i) a Regulation A exemption is not available for Tri-State Petroleum's stock offering because the aggregate offering price of its shares exceeds the \$300,000 limitation prescribed in the Regulation; (ii) the notification fails to disclose that Springfield Gas and Oil Company is a predecessor of the issuer and the issuance and sale of unregistered securities by a predecessor; and (iii) the company's offering circular fails to disclose royalty interests in the issuer's property held by counsel for the issuer and a predecessor, fails to disclose material transactions between the issuer and its officers, directors and promoters, and fails to disclose the relationship between the issuer and its affiliates and predecessor.

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

ARONSON & CO., REGISTRATION REVOKED. In a decision announced today (Release 34-6241), the SEC revoked the broker-dealer registration of Milton R. Aronson, doing business as Aronson & Co., 426 South Spring St., Los Angeles, for fraud in the purchase and sale of securities and other violations of the Federal securities laws. Aronson waived a hearing, entered into a factual stipulation, and consented to revocation of his registration.

Upon the basis of the admissions contained in the stipulation, the Commission ruled that during the period December 1957 to August 1958, Aronson solicited and accepted the deposit of funds and securities from customers and other broker-dealer firms when his liabilities exceeded his assets and he was unable to meet his current liabilities in the ordinary course of business, which facts were not disclosed. His implied representation that he would deal fairly and in accordance with trade custom and that he was solvent and in a position to meet his obligations as they became due were false in view of Aronson's actual undisclosed financial condition. In addition, Aronson obtained delivery of \$270 of securities from a bank by delivering a check in that amount which was uncollectible because drawn against insufficient funds. The Commission found this conduct violative of the anti-fraud provisions of the Federal securities laws.

Moreover, according to the decision, Aronson violated the Commission's net capital and record-keeping rules, and failed to file the required report of financial condition for 1958.

A. J. GRAYSON & CO., REGISTRATIONS REVOKED. In a decision announced today (Release 34-6242), the SEC revoked the broker-dealer registrations of A. J. Grayson & Co., Inc., 92 Liberty St., New York, A. J. Grayson & Co. of New Jersey, Inc., 15 Washington St., Newark, and A. J. Grayson & Co. of Maryland, Inc., Baltimore. The New York respondent also was expelled from membership in the National Association of Securities Dealers, Inc.

The respondent companies waived a hearing, entered into a factual stipulation, and consented to revocation of their registrations; and the New York respondent consented to its expulsion from the NASD.

The Commission ruled that the New York respondent and Albert J. Grayson, its president and controlling stockholder, offered and sold stock of Micro-Moisture Controls, Inc., in late 1956 in violation of the Securities Act registration requirement. In June 1956 when Micro-Moisture had 3,071,498 common shares outstanding, it issued an additional 2,396,485 shares to Converters Acceptance Corporation, Ltd., a Canadian corporation, in exchange for the latter's assets. Converters distributed these shares to its 31 stockholders. Twenty-six of the stockholders immediately granted to John Herschorn, another stockholder, irrevocable powers of attorney for the sole purpose of selling their shares. At least 710,623 of the 2,396,485 shares were sold to various broker-dealers who subsequently resold them to the public in this country through the use of the mails. During the period from about July 17, 1956 to about December 13, 1956, Grayson and the respondent companies acquired 226,550 of these shares and through the use of the mails sold and delivered them to numerous public investors in the United States. No registration statement under the Securities Act had been filed or was in effect with respect to the 710,623 shares thus sold to the public.

Herschorn and the other 26 stockholders for whom he acted together had a record ownership of more than 43 per cent of the common stock of Micro-Moisture, and they constituted a group that, in common with or under the control of Louis Levin, president of Micro-Moisture, dominated and controlled that company. Section 2(11) of the Securities Act defines an underwriter to include any one who purchases securities from an issuer with a view to distribution or who has a direct or indirect participation in any such undertaking, and for this purpose defines issuer to include any person in control of an issuer. Accordingly, Herschorn and the other 26 stockholders were issuers and Grayson and the respondent companies were underwriters within the meaning of Section 2(11) in the purchase and public sale of the 226,550 shares. Therefore, no exemption from the registration requirements of Section 5 of the Securities Act was available and the use of the mails in connection with the sales by the New York registrant and Grayson violated Section 5 of the Securities Act.

By Federal court order of April 1958 (USDC SDNY), the New York respondent and Grayson (among others) were permanently enjoined from further offering and sale of Micro-Moisture stock in violation of the Securities Act registration requirement. The United States Court of Appeals, in affirming the District Court's judgment, found that Grayson knew, or in the exercise of reasonable care should have known, that he and the respondent companies acted as underwriters of unregistered stock, and that it was a reasonable inference that Grayson, because of his close connection with the control group, knew the totality of circumstances surrounding the offering. Accordingly, the Commission concluded that the New York respondent and Grayson willfully violated the Securities Act registration requirement in the sale of Micro-Moisture stock.

In view of such violations, which involved an extensive distribution of unregistered securities, as well as the permanent court injunction, the Commission concluded that revocation of the New York respondent's broker-dealer registration and its expulsion from NASD membership are necessary in the public interest and for the protection of investors. Grayson was held to be a cause of said order of revocation and expulsion. Furthermore, upon the basis of the permanent injunction against Grayson and his position as president and principal stockholder of the Maryland and New Jersey respondents, it was concluded that the public interest also required the revocation of their registrations.

In a companion order (Release 34-6243), the Commission dismissed an application of the New York respondent and Grayson for Commission review of that company's expulsion from the NASD for engaging in the securities business while its assets were insufficient to meet its liabilities and while in violation of the SEC net capital rule, and of the NASD finding that Grayson was a cause of the company's violation. The application for review was dismissed as moot in view of the Commission's order expelling the New York respondent from NASD and its finding that Grayson was a cause thereof.

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TRADING IN SKIATRON ELECTRONICS SUSPENDED. The SEC has issued an order (Release 34-6248) suspending trading in the common stock of Skiatron Electronics and Television Corporation on the American Stock Exchange and the over-the-counter market for a further ten-day period April 26 to May 5, 1960, inclusive.

NATIONAL AERONAUTICAL FILES EXCHANGE OFFER. National Aeronautical Corporation, Fort Washington Industrial Park, Fort Washington, Pa., filed a registration statement (File 2-16497) with the SEC on April 22, 1960, seeking registration of 143,255 shares of common stock, to be offered in exchange for outstanding shares of common stock of Air-Shields, Inc., at the rate of 2.9 shares of National for one share of Air-Shields.

The offer will automatically terminate if holders of less than 80% of the outstanding shares of Air-Shields accept the offer; and the company reserves the right to withdraw the offer if holders of less than 100% accept. If the acquisition of Air-Shields by National is not consummated by the exchange of shares, Air-Shields will seek stockholders' approval of a statutory merger.

According to the prospectus, National seeks to acquire the stock of Air-Shields in order to promote its own corporate growth and to diversify its operations. National expects to operate Air-Shields as a separate division, but to supply additional capital which Air-Shields needs to finance the development of new business. It is also expected that the application of National's "know-how" in certain areas of electronic engineering will solve several new product design problems and result in a material expansion of the business of Air-Shields.

National has 842,162 shares of common stock outstanding, of which A. Rufus Applegarth, Jr., vice president, owns 143,956 shares (17.10%) and Ernest Garfield, vice president, owns 93,502 shares (11.10%). If all shares of Air-Shields are exchanged the two officers will own 14.61% and 9.49%, respectively, of the then outstanding shares. Management officials of National now own or control an aggregate of 48.72% of the outstanding National stock; and this will be increased to 50.73% if all shares of Air-Shields are exchanged.

MIDWESTERN GAS TRANSMISSION PROPOSES BOND OFFERING. Midwestern Gas Transmission Company, Tennessee Building, Houston, Texas, filed a registration statement (File 2-16498) with the SEC on April 22, 1960, seeking registration of \$60,000,000 of first mortgage pipe line bonds, series due 1980, with attached warrants for the purchase of 240,000 shares of common stock. The bonds will be offered in denominations of \$1,000 with attached warrants for the purchase of four shares of common stock at \$15 per share on and after January 1, 1964 through December 31, 1973. The offering will be made through a group of underwriters headed by Stone & Webster Securities Corporation, White, Weld & Co., and Halsey, Stuart & Co., Inc. The interest rate, offering price and underwriting terms will be supplied by amendment.

The company was incorporated under Delaware law in 1951 and all of its outstanding common stock is owned by The Cumberland Corporation, which is a wholly-owned subsidiary of Tennessee Gas Transmission Co. Proceeds from the sale of the bonds, together with other financing, will be used to finance the construction of two natural gas pipe line systems at an estimated cost of \$105,000,000, including working capital and allowances for contingencies. In addition to the sale of the bonds, the company will sell to Cumberland \$21,355,200 of 6% debentures due 1980 and 640,656 shares of common stock for an aggregate price of \$26,000,000; may, through a bank credit agreement, borrow up to \$7,000,000 to be evidenced by unsecured promissory notes bearing interest at 1/2 of 1% over the prime rate at the time of issuance, and maturing in installments over a period of five years; and sell to Cumberland 200,000 shares of common stock and warrants for an additional 240,000 shares at a price of \$15 per share exercisable on and after January 1, 1964, through December 31, 1973, for an aggregate price of \$2,000,000. The sale of the bonds to the underwriters is conditioned upon the sale of the debentures, stock, and warrants to Cumberland.

In addition to its indebtedness, consisting of \$35,000,000 of bank loans, the company has outstanding 1,000,000 shares of common stock.

BALTIMORE GAS AND ELECTRIC FILES EMPLOYEE STOCK PLAN. Baltimore Gas and Electric Company, Lexington Building, Baltimore, Md., filed a registration statement (File 2-16499) with the SEC on April 22, 1960, seeking registration of 100,000 shares of common stock, to be offered under its Employees Stock Purchase Plan of 1960.

OWENS-CORNING PROPOSES EMPLOYEE INVESTMENT PLAN. Owens-Corning Fiberglas Corporation, National Bank Building, Toledo, Ohio, filed a registration statement (File 2-16500) with the SEC on April 22, 1960, seeking registration of 15,000 shares of common stock, to be issued in connection with its Savings and Stock Investment Plan for eligible employees.

STATE LOAN AND FINANCE SHARES IN REGISTRATION. State Loan and Finance Corporation, 1200 Eighteenth St., N. W., Washington, D. C., today filed a registration statement (File 2-16501) with the SEC seeking registration of 13,222 shares of its Class A common stock, issuable upon exercise of stock purchase warrants.

According to the prospectus, on September 30, 1959, the company merged with Equitable Credit Corporation, which had outstanding warrants to purchase 52,890 shares of its participating preferred stock at various prices. Under terms of the merger, the company (State Loan), as the surviving corporation, agreed to issue

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one share of its Class A common upon exercise of warrants to purchase each four shares of the said preferred, with the subscription price appropriately adjusted. The exercise price ranges from \$19 to \$24 per share.

INTERNATIONAL PROPERTIES FILES FOR STOCK OFFERING. International Properties, Inc., 1487 Northwestern Bank Building, Minneapolis, Minn., filed a registration statement (File 2-16492) with the SEC on April 20, 1960, seeking registration of 750,000 shares of common stock, to be offered for public sale at \$1.65 per share. The offering will be made by the company or by dealers on a "best efforts" basis. Dealers will receive a commission of 15¢ per share.

The company was incorporated under Minnesota law in July, 1959 for the purpose of making investments in real estate. It has purchased and leased back two retail grocery store buildings in Palm Beach County, Florida, and has agreed to purchase and lease back a third. It has entered into contracts to purchase an industrial and a commercial building in the suburbs of Minneapolis, unimproved land near Minneapolis which it proposes to develop into a Science Industry Center, and unimproved land in St. Petersburg, Florida, which it proposes to develop into a trailer park. It has also agreed to purchase additional unimproved land near Minneapolis.

The net proceeds from the sale of additional stock will be used to meet the financial and loan commitments of the company in connection with the purchase of certain of the property. The company has agreed to pay part of the purchase price for the acquisition of a portion of the real estate in common shares. In addition it has granted options to three officers for the purchase of 25,000 shares. After the payment of shares, the exercise of options and the public offering, the company will have 987,600 shares outstanding plus certain indebtedness.

Officers of the company include Arnold J. Ryden, board chairman, Robert S. Stebbins, president, Gordon C. Paske, vice president and treasurer, and Francis W. Gaasedelen, secretary. All officers and directors of the company own beneficially and of record 69,300 of the shares now outstanding (29.2%) and an additional 142,800 shares (60.1%) held of record but not beneficially.

RECEIVER APPOINTED FOR INVESTMENT BROKERS OF N. J. The SEC New York Regional Office announced April 18th (Lit. Release 1656) that the U. S. District Court (N.J.) had appointed Joseph F. Walsh of Newark as Receiver of the assets of Investment Brokers of N. J., Inc., defendants in an injunction action filed by the Commission. The company consented to this action.

INDICTMENT NAMES FIVE IN SALE OF TEXAS BUILDING STOCK. The SEC Boston Regional Office announced April 22 (Lit. Release 1657) the return of an indictment (USDC, Conn.) charging Guy P. Patton of Fort Worth, Peter E. Sahadi of Bristol, Conn., and three others with fraud in the sale of Texas Building Company stock.

INDICTMENT NAMES F. P. TODD. The SEC Boston Regional Office announced April 22 (Lit. Release 1658) the return of an indictment (USDC, Mass.) charging F. Payson Todd, doing business as The New England Counsellor, with violating the anti-fraud provisions of the Securities Act and Investment Advisers Act in connection with the stock of Canadian Javelin Ltd.

GLASS MARINE INDUSTRIES PROPOSES OFFERING. Glass Marine Industries, Inc., Humboldt, Iowa, today filed a registration statement (File 2-16502) with the SEC seeking registration of 200,000 shares of Class A stock and 100,000 shares of common stock. The Class A stock is to be offered at \$2.25 per share and the common at 75¢ per share; and the Class A and common shares are to be offered in units consisting of two Class A and one common at a price of \$5.25 per unit. The offering is to be underwritten by Leason & Co., Inc., Chicago, William B. Robinson & Co., Corsicana, Texas, and Bala William & Co., Wichita Falls, Texas. The underwriting commission is to be 32¢ per Class A and 10¢ per common share.

The company was organized in January 1960 and is successor by acquisition to the business previously carried on by Glass Craft Boats, Inc., of Humboldt, which manufactured fiberglass pleasure boats. The company proposes to use the net proceeds of this stock sale for its general working capital, completion of a plant construction program now under way, integration into the company's business of a recently acquired patented jet water-stream propulsion unit, expansion of the company's sales program and installation of new production methods to reduce production costs. The company intends to manufacture fiberglass inboard boats incorporating the patented "Hydrojet" water stream propulsion system, and part of the proceeds (\$125,000) of this offering will be used to develop the necessary production facilities to produce such boats.

The company now has outstanding 120,000 common shares, of which 105,000 shares were issued to its promoters Hayden Leason, Wm. B. Robinson, Bala Williams, Jr., Vertex Corporation and Leason & Co. They acquired the assets of the predecessor for \$53,000 and transferred same plus \$22,000 additional capital to the new company in exchange for the 105,000 shares. The prospectus lists Nicholas Savaiano as president.