

SECURITIES AND EXCHANGE COMMISSION NEWS DIGEST



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A brief summary of financial proposals filed with and actions by the S.E.C.

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SEC ANNUAL REPORT FILED WITH CONGRESS. Protection of public investors against fraud in the sale of securities continues to engage the attention of a large portion of the staff of the Securities and Exchange Commission, according to its 26th Annual Report for the Fiscal Year ended June 30, 1960 delivered to Congress today.

While activity in the securities market generally receded somewhat during the last half of Fiscal 1960 covered by the report, the report observed that "public interest in securities remained at a high level and furnished a fertile field for fraud and manipulation in the sale of securities." However, the Commission noted a decrease in so-called "boiler-room" activity, involving the sale of spurious issues by long distance telephone through high pressure methods "ordinarily accompanied by gross misrepresentations and other fraudulent devices," perhaps due in part to a number of recent indictments and convictions of the "hard core of boiler-room operators and their salesmen."

Also demanding the intensive efforts of a large segment of the staff was the record level of stock offerings and other financing proposals for which registration statements were filed during the year, numbering 1,628 as against the previous high of 1,226 for Fiscal 1959. The aggregate dollar amount of these proposed offerings was \$800 million less than the \$16.6 billion recorded in the prior year. Of particular significance, however, was the fact that more than half of the registration statements which became effective during the year (exclusive of those for mutual funds) were filed by issuers which had not previously sought the registration of securities for public sale. Since there was no background of previously examined material against which these statements might be checked and since they were sometimes prepared by persons unfamiliar with the registration process, their examination required a proportionately greater share of the staff's time than otherwise would have been required. This and the record number of filings, which imposed a tremendous work load on the staff, necessitated some lengthening of the processing or "waiting" period. However, it was noted that a total of 1,398 statements became effective during the year, 343 or 32.5% above the previous high in Fiscal 1959.

Another important area of Commission regulation involves investment companies. The report notes an increase from 512 to 570 during the year in the number of registered investment companies, and a \$3.5 billion increase in the estimated market value of the assets of such companies to approximately \$23.5 billion. The latter figure is to be compared with a \$2.5 billion estimated market value of assets of the 436 investment companies registered in 1941. The Commission also observes in its report that past inspections of investment companies have revealed the need for continuous field supervision of investment companies to assure compliance with the requirements of the Investment Company Act, particularly in relation to such matters as selling practices, deviations from basic investment policies without stockholders approval, improper affiliations of directors and failure to obtain stockholder approval of investment advisory contracts.

Copies of the Commission's report, which discusses its administration of the several Federal securities laws during the past year, may be obtained from the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C., for \$1 per copy.

DELISTING OF TWO STOCKS PROPOSED. The New York Stock Exchange has filed applications with the SEC proposing the delisting of the 6% cumulative preferred stock of Amalgamated Leather Companies, Inc., and the common stock of Guantanamo Sugar Company; and the Commission has issued orders (Release 34-6444) giving interested persons until January 20, 1961, to request a hearing thereon. According to the applications, (1) there are only 157 record holders of the Amalgamated Leather preferred and the company has operated at a loss in 3 of the last 4 years; and (2) the aggregate market value of the Guantanamo Sugar stock, exclusive of concentrated holdings, is less than \$500,000.

NORTH AMERICAN EXPLORATION CO. HEARING CANCELLED. North American Exploration Co., Inc., Spokane, Wash., has withdrawn its request for a hearing on the question whether to vacate or make permanent an April 1959 order of the Securities and Exchange Commission temporarily suspending a Regulation A exemption from registration under the Securities Act of 1933 with respect to a proposed public offering of stock by the said Exploration Co.

Accordingly, the suspension order has become permanent. The order asserted that the company's offering circular was false and misleading in respect of various material facts.

CONSOLIDATED NATURAL GAS FILES FINANCING PROPOSAL. Consolidated Natural Gas Company, New York holding company, has joined four of its subsidiaries in the filing of a financing proposal with the SEC; and the Commission has issued an order (Release 35-14346) giving interested persons until January 26, 1961, to request a hearing thereon.

According to the application, Consolidated proposes to issue and sell, at competitive bidding, \$45,000,000 of Debentures due February 1, 1986. Of the net proceeds, \$25,000,000 will be used to pay outstanding short-term notes in that amount and the balance will be used to finance in part the 1961 construction

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programs of the subsidiaries, estimated at \$70,000,000. Consolidated contemplates financing the balance of such capital requirements by means of an additional issue of \$25,000,000 of debentures later in 1961. The four subsidiaries will issue \$25,000,000 of notes to Consolidated to finance their construction programs, as follows: The East Ohio Gas Company, \$10,500,000; Hope Natural Gas Company, \$4,500,000; New York State Natural Gas Corporation, \$5,500,000; and The Peoples Natural Gas Company, \$4,500,000.

SYNTEX CORP. FILES FOR SECONDARY. Syntex Corporation, Panama, Republic of Panama, filed a registration statement (File 2-17442) with the SEC on January 3, 1961, seeking registration of 7,389 shares of \$100 par preferred stock and 98,890 shares of common stock (of which latter 73,890 are reserved for issuance upon conversion of preferred stock). According to the prospectus, nine holders of 3,584 preferred shares will convert same into 35,480 common shares and offer the latter for public sale. One of such preferred holders is E. F. Hutton & Co., which owns 1,196 preferred shares (plus 3,040 common shares). An additional 25,000 common shares are to be sold by The Value Line Fund, Inc., and two affiliated companies (who will retain 6,500 common shares). This accounts for all the 60,840 common shares to be offered for public sale, the offering to be made from time to time on the American Stock Exchange at prices prevailing at the time of sale less brokerage commissions.

The company and its subsidiaries are engaged in the pharmaceutical business, principally in the production and sale of steroid hormone products and in research related to development of such products. It has outstanding 7,389 preferred shares and 1,398,840 common shares. George Rosenkranz is listed as president. The principal common stockholder is Allen & Company, which owns 28% of the outstanding shares. Management officials own 47.4% of the outstanding preferred and 3.2% of the outstanding common.

PHOTO SERVICE FILES FOR OFFERING AND SECONDARY. Photo Service, Inc., 220 Graceland Avenue, Des Plaines, Ill., filed a registration statement (File 2-17439) with the SEC on December 30, 1960, seeking registration of 162,500 shares of common stock, of which 125,000 shares are to be offered for public sale by the company and 37,500 shares, being outstanding stock, by S. Lyall Briggs, president. The new shares are to be offered for public sale through a group of underwriters headed by Cruttenden, Podesta & Co. The public offering price and underwriting terms are to be supplied by amendment. The principal underwriter will receive a five-year non-transferable option to buy 10,000 additional common shares (the price to be supplied by amendment).

The company and its three wholly-owned subsidiaries, Photo Color, Inc., Pickwick Camera Shop, Inc. and B & C Photo Service Co., all Illinois corporations, are engaged in the processing and printing of black and white and color photographic film, the wholesale distribution of photographic equipment and supplies in the Chicago area, and the operation of three retail camera shops in the Chicago area. Prior to October 1960, Photo Service, Inc., Photo Color, Inc. and Pickwick Camera Shop, Inc. were jointly owned by Briggs and Robert Himel, executive vice president of the company, and his wife. B & C Photo Service Co. was owned by Briggs. In December 1960 the company received all of the outstanding stock of Photo Color, Inc. and Pickwick Camera Shop, Inc. as of October 1960, as a contribution from the company's stockholders, Briggs, Himel and his wife. On the same day, the company issued 30,312 common shares to Briggs in exchange for all of the outstanding shares of B & C Photo Service. In December 1960 the 250,312 common shares then outstanding were reclassified into 309,666 common shares which, in addition to certain indebtedness, are now outstanding. Briggs owns 173,583 shares and proposes to sell 37,500 shares and Himel and his wife own 136,083 shares.

The net proceeds from the company's sale of additional stock will be used as follows: \$250,000 for the purchase and installation of new equipment for use in finishing Kodachrome film; \$125,000 for the construction of a new plant addition; \$85,000 for the payment of short-term debt; \$200,000 to purchase stock or assets of other firms engaged in the photo finishing business (no commitments made); and the balance will be added to general funds and used for general corporate purposes including working capital.

TIME FINANCE PROPOSES DEBENTURE OFFERING. Time Finance Corporation, 42 West Broadway, Salt Lake City, Utah, filed a registration statement (File 2-17443) with the SEC on December 30, 1960, seeking registration of \$1,000,000 of 6% Convertible Subordinated Debentures due January 1, 1976 (and 150,000 underlying common shares), to be offered for public sale at 100% of principal amount, on a best efforts basis, through a group of underwriters headed by Whitney and Company, who will receive a 12% selling commission. The debentures will be convertible at prices ranging from \$7.50 per share in January 1961 to \$15.00 per share in January 1970.

The company and its subsidiaries conduct an industrial loan, small loan, accounts receivable financing and retail sales financing business. The net proceeds from the debenture sale will be used as follows: \$96,560 to increase volume of accounts receivable financing; \$24,145 to increase volume of direct industrial loans and dealer contracts; \$24,145 to increase volume of small loans; and \$700,000 for the reduction of notes payable.

In addition to certain indebtedness and preferred stock, the company has outstanding 104,731 shares of common stock, of which Harold C. Kimball, president, and his wife, own 81,495 shares, Whitney & Co. owns 10,740 shares, and management officials as a group own 82,051 shares.

INDICTMENT NAMES ROBERT A. HOWARD. The SEC Denver Regional Office announced December 30th (LK-1874) the return of a federal indictment (USDC, Colo.) charging Robert A. Howard with violating the anti-fraud provisions of the Securities Act in the sale of stock of Republic Gas and Uranium Corp., and with violating Sec. 1001, Title 18, U.S.C., which prohibits the filing of a false statement or document with an agency of the Federal Government.

EFFECTIVE SECURITIES ACT REGISTRATIONS. January 3: Ampex Corporation (File 2-17369). January 4: Bell Electronic Corp. (File 2-17168); Pathe Equipment Co., Inc. (File 2-17185); Southwest Gas Corp. (File 2-17212); National Aeronautical Corp.; (File 2-17282); Continental Investment Corp.; (File 2-17291).