

# 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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**RECORD-KEEPING RULES PRESCRIBED FOR ADVISERS.** The SEC today announced the adoption of a new Rule 204-2 under the Investment Advisers Act prescribing, effective as of July 1, 1961, the books and records which must be maintained by investment advisers subject to registration under that Act.

The action was taken pursuant to the September 1960 amendment of the Act. The books and records required to be maintained include the usual journals and ledger accounts; memoranda of orders given and instructions received for the purchase, sale, receipt or delivery of securities; and originals or copies of certain communications received or sent by the investment adviser. Such books and records are subject to inspection by Commission representatives.

The rule also requires investment advisers who have custody or possession of securities or funds of any client to maintain certain additional records. These include a separate ledger account for each such client; copies of confirmations of transactions in the account of any such client; and a position record for each security in which any such client has a position, showing the interest of each such client and the location of the security.

The rule is applicable to investment advisers who render any investment supervisory or management service to any client. Such investment advisers are required to maintain the records indicated with respect to the portfolio being supervised or managed and to the extent that the information is reasonably available to or obtainable by the investment adviser. It is recognized that it may not always be possible for the investment adviser to obtain such information, but the rule contemplates that the investment adviser will try to make some general arrangement under which his client will agree to furnish it to him promptly or direct the broker-dealer effecting the transaction to furnish it to him. Paragraph (c)(2) contemplates that investment advisers who render investment supervisory or management service will maintain information from which the investment adviser will be able to furnish promptly the name of each client who has a current position in a particular security, and the amount or interest of such client at that time.

**SHELLEY URETHANE INDUSTRIES PROPOSES STOCK OFFERING.** Shelley Urethane Industries, Inc., 4542 East Dunham Street, City of Commerce, Calif., filed a registration statement (File 2-18171) with the SEC on May 24th seeking registration of 200,000 shares of common stock, to be offered for public sale through underwriters headed by Garat & Polonitza, Inc. The public offering price and underwriting terms are to be supplied by amendment.

The company was organized in June 1960 as successor in consolidation of two California companies, Shelly Mfg. Co. and Vita-Foam Products, Inc. In July 1961 it will be merged with Midwest Foam Products Company, subject to approval of shareholders, and will then be known as Urethane Industries International, Inc. The principal business of Shelley is the manufacture, converting, and distribution of urethane foam products to industry, sold under the trade name "Shelley Foam." Midwest has been engaged in a similar business, its products being sold under the names "Midform" and "Sat-A-Lyte." The successor company will continue these businesses. The company proposes to expend about \$150,000 of the net proceeds of its sale of stock to set up and install two rigid foam lines; \$135,000 to enlarge inventory to service distributors; \$150,000 to pay bank indebtedness; and the balance for new equipment and other purposes.

The company has outstanding 854,895 common shares (after giving effect to the issuance of .7 of a share for each outstanding share of Midwest, aggregating 542,682 shares) which Joseph Caplan, president received 160,000 shares in exchange for the stock of the two companies originally merged into the issuer (which then had a book value of \$95,571). The prospectus also lists twelve individuals principally responsible for the formation of Midwest, including Albert W. Clutter, board chairman of the issuer, and George B. Wayson, vice president and vice chairman, who received 48,580 shares each of the issuer's stock in exchange for their holdings of Midwest stock.

**MIDWEST FOAM PRODUCTS FILES RESCISSION OFFER.** Midwest Foam Products Company, 1632 Chicago Ave., Evanston, Ill., filed a registration statement (File 2-18172) with the SEC on May 24th seeking registration of 775,260 common shares. The shares were sold at \$1 per share prior to such filing, and this statement has been filed for purposes of making an offer of rescission to the holders thereof. The company has outstanding 775,260 shares, of which 695,160 were sold at \$1 per share to investors (including organizers) either by the company or its promoters. In addition, 75,000 shares were issued to Harry Porett, Hyman Porett and Loe Porett, partners in Post-Dearborn Manufacturing Co., Waukegan, Ill., in exchange for certain machinery and equipment. Certain of the organizers, including the Porett brothers, resold some of the shares. The prospectus states that Midwest has been advised by its counsel that no exemption was available for the issuance of the 775,260 shares under the Securities Act. Midwest proposes to offer all holders of the 775,260 shares to repay and refund the entire purchase price paid for such shares, plus interest. Albert W. Clutter, board chairman, and George W. Wayson, president, have entered into an agreement with Midwest whereby they have agreed to purchase all shares tendered by shareholders under this offer and accepted by Midwest, at the prices repaid to shareholders for such shares. The prospectus further indicates that twelve holders of 364,350 shares (including 69,400 shares each held by Clutter and Wayson) will be retained by said holders and voted in favor of the proposal to merge with Shelley Urethane Industries, Inc.

OVER

**INDEPENDENCE LIFE INSURANCE FILES FOR OFFERING AND SECONDARY.** Independence Life Insurance Company of America, 99 South Lake Ave., Pasadena, Calif., filed a registration statement (File 2-18173) with the SEC on May 24th seeking registration of 150,000 shares of capital stock, of which 100,000 shares are to be offered for public sale by the company and 50,000 shares, being outstanding stock, by the present holders thereof. The public offering price and underwriting terms are to be supplied by amendment. Blyth & Co., Inc., is the underwriter.

The company is engaged in writing life and disability insurance, principally in Southern California. Net proceeds of its sale of additional stock will be added to its general funds, to enable the company to write a larger volume of insurance in all lines of its business.

**PACIFIC GAS AND ELECTRIC FILES FOR RIGHTS OFFERING.** Pacific Gas and Electric Company, 245 Market St., San Francisco, filed a registration statement (File 2-18174) with the SEC on May 24th seeking registration of 896,470 shares of common stock, to be offered to stockholders of record June 13, 1961, at the rate of one new share for each 20 shares then held. The subscription price and underwriting terms are to be supplied by amendment. Blyth & Co., Inc., heads the underwriting group.

Net proceeds of the stock sale will become part of the company's treasury funds and will be applied toward the cost of property additions. Following such sale the company proposes to retire all of its short term bank loans, obtained for temporary financing of such additions. The loans are expected to be approximately equal to the net proceeds of the stock sale. Gross expenditures for construction are estimated at \$418,000 from April 1961 through 1962.

In addition to indebtedness and preferred stock, the company now has outstanding 31,939,374 shares of common stock. James B. Black is president and board chairman.

**DUMAS MILNER FILES DEBENTURE OFFERING AND FOR SECONDARY.** Dumas Milner Corporation, Jackson, Miss., filed a registration statement (File 2-18175) with the SEC on May 24th seeking registration of \$2,000,000 of 6% Convertible Subordinated Debentures due 1971 to be offered for sale by the company, and 400,000 outstanding shares of Class A common stock to be offered for sale by the present holders thereof. The securities are to be offered in 200,000 units, each consisting of one \$10 par debenture and two Class A shares. The public offering price and underwriting terms are to be supplied by amendment. Courts & Co. heads the list of underwriters.

The company is engaged primarily in the manufacture and sale of nationally advertised and distributed products used in cleaning, sanitation maintenance and household laundering. It also markets on a regional basis drugs, cosmetics, toilet articles and aerosol-type cleaning agents and deodorants manufactured by others. Net proceeds to the company from its sale of debentures will be added to its general funds. Prior to January 10, 1962, the company intends to liquidate about \$1,150,000 due on notes to unaffiliated persons from whom it purchased assets or acquired certain of its subsidiaries. The balance of the proceeds will be used for general working capital, including possible production expansion, and the promotion of the Taylor Drug Division and the Cinderella Division, which markets cosmetics and related lines through the so-called "party plan" and door-to-door method.

The company has outstanding 599,895 Class A shares and 199,702 Class B, C and D shares. The 400,000 Class A shares the subject of this offering are held in the respective amounts of 350,000, 35,000 and 15,000 by R. E. Dumas Milner, board chairman, Howard S. Cohoon, president, and Thurman L. Pitts, secretary-treasurer. After such sale, they will continue to own 25.5%, 11.7% and 2.9% of the total outstanding shares.

**RORER INC. FILES FOR SECONDARY.** William H. Rorer, Inc., 4865 Stenton Avenue, Philadelphia, Pa., filed a registration statement (File 2-18176) with the SEC on May 24th seeking registration of 130,000 outstanding shares of common stock, to be offered for public sale by the present holders thereof through underwriters headed by Kidder, Peabody & Co. and Schmidt, Roberts & Parke. The public offering price and underwriting terms are to be supplied by amendment.

The company produces and sells ethical pharmaceuticals. Its principal product is "Maalox" which is used for the treatment of gastric hyperacidity, peptic ulcers and gastritis. In addition to certain indebtedness, the company has outstanding 3,351,348 shares of common stock, of which Gerald F. Rorer, president, and Herbert C. Rorer, board chairman, own 656,168 and 602,996 shares, respectively. They propose to sell 65,000 shares each. After the sale of such stock, members of the Rorer family will own 39.74% of the company's outstanding stock.

**PATENT RESOURCES FILES FOR STOCK OFFERING.** Patent Resources, Inc., 608 Fifth Ave., New York, filed a registration statement (File 2-18177) with the SEC on May 24th seeking registration of 150,000 shares of common stock, to be offered for public sale on an all or none basis through underwriters headed by N. A. Hart & Co., Darius, Inc., and E. J. Roberts & Co., Inc. The public offering price and underwriting terms are to be supplied by amendment. The registration statement also includes 25,000 common shares which underlie 5-year warrants sold to the underwriters at 1 mil each, exercisable at a price per share to be supplied by amendment.

The company was organized under New York law in November 1960 for the purpose of acquiring patents and exploiting and developing the patent rights thus acquired, as well as defraying the costs of inventors in developing and seeking patents on their ideas (with assignment thereof to the company, if obtained), and, in some cases, acting as a liaison agent on a contingent fee basis, between inventors and holders of patent rights and those persons or organizations wishing to license or lease or manufacture the invention. To date the company has acquired a design patent covering an invention of a "return top" -- a toy which is operated similar to a yo-yo. According to the prospectus, the company has commenced negotiations with a toy manufacturer of the return top. The prospectus further states that the company has under consideration a patent covering what the inventor describes as a "wave motor" which, it is claimed, can be actuated by ocean waves to create an electrical current. The net proceeds from the stock sale will be used for advertising and

promotion, patent consultant services, executive salary, administrative and office overhead, and working capital.

The company has outstanding 100,000 shares of common stock, of which Samuel Diamond, president, owns 10,000 shares and Joy Leighton, wife of Sheldon Leighton, president of Darius, Inc., and a promoter of the company, holds as custodian for their daughter 20,000 shares. In addition, Herbert Lane owns 20,000 shares. Such shares were purchased by the present holders thereof at 25¢ per share. Norbert A. Hochschertner is listed as board chairman.

**HAROLD GRILL REGISTRATION POSTPONED.** The SEC today announced the issuance of a decision (Release 34-6568) postponing the effective date of an application for broker-dealer registration filed by Harold Grill, doing business as Program Planning Co., 550 Fifth Ave., New York City, pending determination of the question whether said application should be denied.

The order instituting proceedings on the question of denial charged that in early 1959 Grill, while employed as a salesman by Hannibal Associates, Inc., violated the anti-fraud provisions of the Federal securities laws by reason of false and misleading representations made by Grill in the offer and sale, at \$3.50 and \$4 per share, of stock of Alaska Development Company (also known as Alaska Dakota Development Company and ADDCO). According to the testimony of five customer witnesses, they were solicited by telephone to purchase Alaska Development stock and representations were made to them that such stock was quite safe, would be one of the best investments available, would increase rapidly as soon as information about the company's recent purchases were made public, would go up to \$7 or \$8 per share within six months to one year, would double, triple or increase tenfold, and would be listed on an exchange very shortly; and that the company had excellent potentials.

According to the evidence so far adduced at the hearing, no factual basis for such representations was shown and Grill admitted that he knew of none. Grill, however, denied making the statements described and asserted that he only repeated information which he had obtained from a brochure furnished by Hannibal Associates. Although he could not recall making a sale to any of such customers, he testified that he used the telephone to sell the stock under the alias of "Edward Harold" and used the symbol "HRD" on the order slips to indicate Harold as the salesman; and four of the witnesses testified that the person who made the representations to them identified himself as "Edward Harold" or "Harold." The initials "HRD" or the designation "HAR" also appear on documents relating to transactions with these customers.

The Commission concluded that the record tends to substantiate the allegations of misrepresentations in the sale of stock by Grill and to make it necessary in the public interest to postpone the effective date of his registration as a broker-dealer pending final determination on the question of denial. The Commission also denied Grill's request to withdraw his application and his motion that the proceedings be terminated.

**UNITED INDUSTRIAL TRADING BAN CONTINUED.** The SEC has ordered the suspension of trading in securities of United Industrial Corporation (Del.) on the national securities exchanges and the over-the-counter market for a further ten-day period May 26 to June 4, 1961, inclusive.

**AMERICAN PROGRAMMING HEARING POSTPONED.** On request of its counsel, the SEC has ordered postponement from May 31 to July 11, 1961, of the hearing in its Los Angeles Branch Office on the question whether the broker-dealer registration of American Programming Corporation, Beverly Hills, Calif., should be revoked because of alleged violations of the Commission's net capital rule.

**POLYMETRIC DEVICES FILES FOR STOCK OFFERING.** Polymetric Devices Company, 130 South Easton Road, Glenside, Pa., filed a registration statement (File 2-18178) with the SEC on May 24th seeking registration of 90,000 shares of common stock, to be offered for public sale at \$3.75 per share through Weil & Co., Inc. The underwriter will receive \$0.375 per share commission and \$5,000 for expenses. The registration statement also includes 6,000 common shares which underlie 5-year warrants sold to the underwriter for an aggregate of \$60 and exercisable at \$3.75 per share.

The company is engaged in the business of selling various lines of instrumentation and control products, produced by certain manufacturing concerns, which are designed for application in the measurement and/or control of the amount or quantity of physical phenomenon, such as pressure, temperature, torque, load, acceleration, displacement, strain and force. In making such sales, the company acts as exclusive sales agent for the manufacturing concerns. It does not manufacture any products nor does it market any products under its own trade name or trademark. The net proceeds from the stock sale will be added to working capital for use in connection with the expansion plans of the company. It is anticipated that \$100,000 will be applied to the expansion of the sales staff and the opening of new offices in New York City and Washington, D. C., \$100,000 will be applied to the stocking of inventory in product lines pursuant to distributorship appointments, \$50,000 will be used to establish a separate sales organization to market the products of electronic or instrumentation concerns, and the balance would be used among other things for advancing funds to, or making equity investments in such concerns.

Pursuant to a recapitalization on May 2, 1961, the company effected a stock split of 100 shares for one and on May 9th, a further 7½ shares for one stock split was effected in the form of a stock dividend. In addition to certain indebtedness, the company now has outstanding 185,000 shares of common stock, of which Allen M. Shore, president and board chairman, and Lewis Gerber, vice president, own 41% each.

**ZURN INDUSTRIES FILES FOR STOCK OFFERING AND SECONDARY.** Zurn Industries, Inc., 2214 West 8th Street, Erie, Pa., today filed a registration statement (File 2-18179) with the SEC seeking registration of 175,000 shares of common stock, of which 71,530 shares are to be offered for public sale by the issuing company and 103,470 shares, being outstanding stock, by the present holders thereof. The offering will be made on an all or none basis through underwriters headed by Lee Higginson Corp. The public offering price and underwriting terms are to be supplied by amendment.

The company is principally engaged in the design, development, manufacture and sale of (a) mechanical power transmission equipment used in nuclear powered submarines, electric generating plants, aircraft, helicopter and missile drives and numerous other industrial applications, (b) hydromechanical piping equipment for industrial, commercial, institutional and residential buildings, and (c) industrial pipe line straining mechanisms. The net proceeds from the company's sale of additional stock will be added initially to its general funds. The company expects to use about one-half for new machine tools and other equipment in connection with its program to provide expanded production capacity for its Mechanical Power Transmission Division, and the balance for increased working capital and for accelerated research and development programs.

In addition to certain indebtedness and preferred stock, the company has outstanding 701,640 shares of common stock, of which Melvin A. Zurn, board chairman, and Everett F. Zurn, president, own 280,120 shares each, and propose to sell 25,000 shares each, and the estate of John H. Zurn holds 53,470 shares and proposes to sell all such shares.

**SALE OF GRANITE CITY GENERATING APPROVED.** The SEC has issued an order under the Holding Company Act (Release 35-14449) authorizing Granite City Generating Company, of Chicago, to sell all of its assets except cash, bank deposits and choses in action, to Granite City Steel Company for a cash consideration of \$1,100,000. The properties consist of a small generating station and related property and equipment located in Illinois and which is primarily used to serve the Steel Company. Since 1938 the assets have been under lease to Union Electric Company (St. Louis) or its predecessor; and the principal activity of Granite City has been to collect annual rentals and use the resulting net income for the retirement of its first mortgage and collateral trust certificates, outstanding in the amount of \$673,620 as of March 31, 1961. Proceeds from the sale of the properties will be used to the extent necessary to redeem and discharge the remaining certificates. Thereupon, Granite City will be dissolved and its remaining assets distributed as a liquidating dividend to voting trustees for Granite City stock. The voting trustees will surrender the stock for cancellation. Prior to any distribution of such remaining cash by the trustees to the holders of voting trust certificates, the trustees will file a plan with the Commission for disposition of such cash.

In connection with the foregoing, the Commission also authorized Union Electric to sell to the Steel Company for \$376,000, payable in three installments, its interest, as lessee, and certain equipment and improvements to the facilities of Granite City leased to Union Electric.

**CONSOLIDATED NATURAL GAS PROPOSES SYSTEM FINANCING.** Consolidated Natural Gas Company, New York holding company, has joined with six of its subsidiaries in the filing of a financing proposal with the SEC under the Holding Company Act; and the Commission has issued an order (Release 35-14450) giving interested persons until June 12, 1961, to request a hearing thereon.

Under the proposal, Consolidated will issue its promissory notes to a number of banks over a twelve-month period and in amounts not to exceed \$35,000,000 in the aggregate. Four subsidiaries propose to issue and sell to Consolidated their short-term notes aggregating \$35,000,000 to finance the seasonal increase in gas storage inventories for the 1961-62 heating season, as follows: The East Ohio Gas Company, \$8,000,000; Hope Natural Gas Company, \$6,500,000; New York State Natural Gas Corp., \$19,500,000; and The Peoples Natural Gas Company, \$1,000,000. The four subsidiaries also propose to issue and sell to Consolidated, in exchange for an equal amount of their 4% construction notes which mature June 28, 1961, an aggregate of \$29,600,000 of non-negotiable long-term notes, in the respective amounts of \$10,000,000, \$4,000,000, \$11,000,000, and \$4,500,000; and a fifth subsidiary, The River Gas Company, proposes to issue \$100,000 of such notes for similar purposes.

To provide part of the funds to finance their 1961 construction programs, four of the subsidiaries propose to issue and sell to Consolidated an aggregate of \$32,500,000 of non-negotiable long-term notes from time to time during 1961, as follows: East Ohio, \$15,000,000; Hope, \$2,000,000; New York State, \$12,500,000; and Peoples, \$3,000,000. In addition, River Gas and Lake Shore Pipe Line Co. propose to issue and sell additional stock to Consolidated in the respective amounts of \$300,000 and \$100,000.

**ORDER RESTRAINS F J BRENEK & CO. INC.** The SEC Seattle Regional Office announced May 23d (LR-2026) the entry of a court order (USDC WD Wash.) temporarily enjoining Francis J. Brenek and Co., Inc., Francis J. Brenek and Clinton F. Crow, all of Seattle, from the further offer and sale of Brenek & Co. stock in violation of the Securities Act anti-fraud provisions and from further violations of the SEC net capital and record-keeping rules.

**SECURITIES ACT REGISTRATIONS.** Effective May 24: Trans World Airlines, Inc. (File 2-17847). Effective May 25: Farmbest, Inc. (File 2-17672); The Warner Brothers Company (File 2-17837); Precisionware, Inc. (File 2-17866); Indiana & Michigan Electric Company (File 2-17984); Aldens, Inc. (File 2-17985); The Columbia Gas System, Inc. (File 2-17987).

**ALLEN CONWILL NAMED SEC GENERAL COUNSEL.** SEC Chairman William L. Cary today announced the appointment of Allan F. Conwill of New York as General Counsel to the Commission. Mr. Conwill will assume his duties on June 19, 1961, succeeding Walter P. North. Mr. North will continue as an Assistant General Counsel vice Joseph L. Levin, who resigned earlier this year to engage in the private practice of law.

Mr. Conwill has been engaged in the private practice of law in New York since 1949. He has been a member of the firm of Willkie, Farr, Gallagher, Walton and Fitzgibbon and has had broad experience in financial and securities law. From 1950 to 1956 he also served as Assistant Professor of law at the New York Law School. He is the author of law review articles in the business field, and is a member of the Bar association of the City of New York. Born in Hutchinson, Kansas, on October 21, 1921, Mr. Conwill obtained his B. S. degree from Northwestern University in 1943 and a J. D. from its Law School in 1949. He was an editor of the Northwestern University Law Review. He served in the Navy from April 1943 to June 1946. As an officer on destroyers, he saw action at Normandy, Southern France, and Okinawa. He is married and the father of three children.