

# 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 December 16, 1960

**RULE PROPOSAL WOULD SIMPLIFY REGISTRATION PROCESS.** The SEC today announced a rule proposal under the Securities Act of 1933 (Release 33-4308) designed to simplify the procedures governing the registration of securities under that Act; and it has invited the submission of views and comments thereon not later than January 16, 1961.

Under the Act, a registration statement becomes effective on the twentieth day after filing or such earlier date as the Commission shall determine. The filing of an amendment to the statement establishes a new filing date and starts the twenty-day period running anew. In order to prevent registration statements from becoming effective through the lapse of time and before they have been amended to cure any deficiencies therein, it has been the practice of registrants to file technical or so-called "delaying" amendments to start the waiting period running again.

The Commission has from time to time been requested by attorneys and other representatives of registrants to adopt a rule which would make unnecessary the filing of delaying amendments. In view of the increased volume and backlog of statements filed under the Act, the Commission has determined to give consideration to the problem of eliminating delaying amendments, or at least reducing the number of such amendments filed. The Commission is moved to consider the matter both in the interest of expediting its own work and in the interest of reducing, insofar as possible, the work involved in the preparing and filing of papers by registrants.

In an effort to meet this problem, the Commission is considering an amendment to Rule 473 proposed by the staff which would provide for the filing, either with a registration statement or at a later date, of an amendment delaying the effective date until the registrant shall file a further amendment which specifically states that the earlier amendment shall no longer operate to delay the effective date of the statement. The proposed new procedure would not be mandatory, although it is expected that registrants would find it to their advantage to follow it in order to avoid the necessity of preparing and filing successive delaying amendments.

**REVISED INVESTMENT ADVISER REGISTRATION FORM PROPOSED.** The SEC today announced a proposal (Release IA-110) to amend its Form ADV for the registration of investment advisers pursuant to the Investment Advisers Act of 1940; and it invited the submission of views and comments thereon not later than January 16, 1961. The proposal also contemplates an amendment of Rule 204-1, which provides for the filing of supplements and amendments to a Form ADV registration application, and the adoption of Form ADV-SUP, which would be required to be filed within 60 days after these amendment proposals become effective, by investment advisers already registered and by those who have an application pending on such date.

Public Law 86-750 passed by the Second Session of the 86th Congress amends the Investment Advisers Act of 1940 in many important respects. Among other things, the amendments provide new grounds for denying, suspending or revoking the registration of an investment adviser. Before the amendments were adopted the provisions of Section 203(d) of the Act provided, in substance, that the Commission could deny, suspend or revoke the registration of an investment adviser if it found that such action was in the public interest and that the investment adviser, or any partner, officer, director or controlling person: (1) within 10 years of the order, was convicted of a felony or misdemeanor involving the purchase or sale of a security or arising out of activities as an investment adviser, underwriter, broker or dealer, or as an affiliated person or employee of an investment company, bank or insurance company; or (2) was subject to an injunction based upon similar conduct or activity; or (3) had wilfully made any untrue statement or misleading omission of a material fact in any application or report filed with the Commission. As amended, the Act now provides additional bases for denial, suspension or revocation of registration: (1) conviction of a felony or misdemeanor involving mail fraud; fraud by wire, radio or television; or embezzlement, fraudulent conversion or misappropriation of funds or securities; (2) wilful violation of any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, or any rule or regulation under any of such acts; or (3) aiding or abetting any other person's violation of any of such acts, rules or regulations. The amendments also provide that any of the above disqualifications by a controlled person (as well as by a partner, officer, director or controlling person) may also be a basis for denial, suspension or revocation.

As proposed to be amended, Form ADV would require the furnishing of information to disclose whether any of the persons mentioned above are subject to any disqualification under the Act, as amended. Thus, Item 8 has been expanded to reflect the new bases for denial, suspension or revocation of registration. Some other changes have been made to Form ADV, however, to obtain certain additional information, to clarify the

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instructions, and to simplify its use and its processing at the Commission. For example, Item 10 requests more specific information concerning the investment adviser's business. Item 11 has been revised to reflect the amendment of Section 208(c) of the statute which changes the conditions under which an investment adviser may use the designation or title "investment counsel". Item 9 will require the furnishing of information concerning the education and experience of key personnel.

The principal reason for amending Rule 204-1 is to require every investment adviser whose registration is effective when the proposal is adopted or who has an application for registration pending on that date, to file a supplement to his application on Form ADV-SUP within 60 days thereafter. Form ADV-SUP would be substantially the same as Form ADV, as amended, except that the first page would be modified to serve its use as a supplement.

**JEWEL TEA FILES EXCHANGE PLAN.** Jewel Tea Co., Inc., 1955 West North Avenue, Melrose Park, Illinois, filed a registration statement (File 2-17483) with the SEC on December 15, 1960, seeking registration of 260,002 shares of common stock. The company proposes to offer the stock in exchange for the 37,345 outstanding common shares of Osco Drug, Inc., of Chicago, at the rate of 6.962 shares of Jewel Tea stock for each share of Osco Drug stock. No underwriting is involved.

Jewel Tea is engaged primarily in the retailing of food products and of certain articles of personal and household use. Osco is engaged principally in operating 28 self-service retail drug stores in Indiana, Iowa, Minnesota, North Dakota and Wisconsin. In addition to its own stores, it furnishes management, buying and accounting services for Osco Drug Stores in Minnesota and Iowa under management contracts.

**COLUMBIA GAS BORROWINGS APPROVED.** The SEC has issued an order under the Holding Company Act (Release 35-14335) authorizing The Columbia Gas System, Inc., to make bank borrowings in the amount of \$10,000,000, the funds to be used for various temporary corporate purposes including the payment in December 1960 of State and Federal taxes, gas purchases and possible rate refunds by certain subsidiaries.

**MISSISSIPPI POWER & LIGHT CREDIT AGREEMENT APPROVED.** The SEC has issued an order under the Holding Company Act (Release 35-14336) authorizing Mississippi Power & Light Company, Jackson, Miss., to extend its credit agreement with certain banks pursuant to which it may make borrowings to meet its temporary cash needs in the amount of \$2,000,000 in January 1961 and an additional \$1,000,000 in March 1961.

**MISSISSIPPI POWER & LIGHT ACQUISITION APPROVED.** The SEC has issued an order under the Holding Company Act (Release 35-14337) authorizing Mississippi Power & Light Company, Jackson, Miss., to purchase 9,000 shares of the \$10 par common stock of Mississippi Business and Industrial Development Corporation for a total consideration of \$90,000. The Development Corporation was organized to assist in the location of new business and industry and the expansion or rehabilitation of existing industry in Mississippi.

**CONSOLIDATED AIRBORNE SYSTEMS PROPOSES OFFERING.** Consolidated Airborne Systems, Inc., 900 Third Ave., New Hyde Park, N. Y., filed a registration statement (File 2-17384) with the SEC on December 15, 1960, seeking registration of 180,000 shares of Class A stock, to be offered for public sale through underwriters headed by S. D. Fuller & Co. The public offering price and underwriting terms are to be supplied by amendment. The underwriters will be entitled to reimbursement for expenses in the amount of \$15,000 and to purchase, for \$450, five-year warrants for the purchase of 45,000 additional Class A shares (at a price also to be supplied by amendment).

Organized in 1957, the company is engaged primarily in the design, development and production of proprietary devices in the field of electronic and cryogenic ground support equipment and airborne instrumentation for the military and commercial aircraft industry. Of the net proceeds of the sale of its stock, \$112,500 will be used for the repayment of notes owing to certain former and present officers, directors and Class B stockholders (the proceeds of which notes were used for working capital); to repay bank loans of \$100,000; and for research and development and expansion of manufacturing facilities and for working capital.

The company now has outstanding 187,347 shares of Class B stock, of which John I. Nestel, president, owns 79,623 shares and Leo Stamler, vice president and chief engineer, 70,255 shares.

**PALOMAR MORTGAGE PROPOSES OFFERING.** Palomar Mortgage Company, 5th and University Avenues, San Diego, Calif., filed a registration statement (File 2-17385) with the SEC\*seeking registration of \$1,100,000 of Subordinated Convertible Debentures due 1975, to be offered for public sale through underwriters headed by J. A. Hogle & Co. The interest rate, public offering price and underwriting terms are to be supplied by amendment.

The company acts as a mortgage servicing firm, the primary business of which is obtaining, arranging and servicing real estate loans. Net proceeds of the sale of the debentures will be used to discharge bank loans in the amount of \$500,000 and the balance added to working capital and used primarily for making real estate loans.

\*Statement filed on December 15, 1960.

In addition to certain indebtedness, the company has outstanding 205,180 shares of 5% preferred stock, \$1 par, and 361,740 shares of common stock. Of the outstanding common stock, Nels G. Severin, president, owns 51.5% and an additional 10% is owned by other officials. Management officials as a group own 55.9% of the outstanding preferred.

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**MIDLAND CAPITAL FILES FOR OFFERING.** Midland Capital Corporation, 241 Main Street, Buffalo, N. Y., today filed a registration statement (File 2-17386) with the SEC seeking registration of 1,300,000 shares of common stock, to be offered for public sale at \$12.50 per share through underwriters headed by Eastman Dillon, Union Securities & Co. and Grandbery, Marache & Co. The underwriters will receive a \$1.125 per share commission.

The company was organized under New York law in August 1960 by Marine Midland Corporation, a bank holding company also of Buffalo, N. Y., as a small business investment company, and it is also registered with the Commission as a closed-end non-diversified management investment company. It will invest in small business concerns as defined in the Small Business Investment Act of 1958. The net proceeds from the stock sale will be used to provide investment capital for and management services to small business concerns.

The company has outstanding 131,250 shares of common stock, all of which were purchased by Marine Midland for \$1,750,000. According to the prospectus, these shares will be reclassified in January 1961 into 153,846 shares of common stock. C. Edgar Schabacker, Jr. is listed as board chairman and Harold C. Stott as president.

**GENERAL FOAM CORP. PROPOSES OFFERING.** General Foam Corporation, 640 W. 134 Street, New York, today filed a registration statement (File 2-17387) with the SEC seeking registration of \$550,000 of 6% Convertible Subordinated Debentures due 1976, to be offered for sale on an all or none basis through underwriters headed by Brand, Grumet & Seigel, Inc., and Kesselman & Co. Inc. The debentures will be offered at 100% of principal amount, with a 6% commission to the underwriters.

The company and its subsidiaries are principally engaged in the business of manufacturing, purchasing, processing and distributing urethane foam and foam rubber products. Since completion of a plant addition in October 1960 it has been an integrated synthetic foam manufacturer, processor and distributor. Of the net proceeds of this financing, \$200,000 will be used to purchase and install additional processing and fabricating equipment and the balance added to working capital to permit the company to carry additional inventories and receivables.

The prospectus lists Alfred Schoen as president and owner of 21.25% of the outstanding common stock. Officers and directors as a group own 53.13% of such stock. There are outstanding 372,000 shares of common stock outstanding.

**CORRECTION.** In the SEC News Digest of December 14th, reference was made to Virginia Capital Corporation and its proposed purchase of securities of E. G. G. Co. Inc., which had been organized by Lawrence L. Roberts, Jr., and Edward G. Green. It was further stated that Roberts and Robert H. Pratt, president of Virginia Capital, will each acquire 50% of the common stock of E. G. G. Co. Inc., whereas such stock interests are to be acquired by the two organizers, Roberts and Green.

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