

# 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)



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FOR RELEASE November 10, 1959

**FRAUD CHARGED TO FRANK LERNER COMPANY IN SALE OF MAGIC MOUNTAIN STOCK.** The SEC has ordered proceedings under the Securities Exchange Act of 1934 to determine whether the anti-fraud and other provisions of the Federal securities laws have been violated by Frank Lerner, doing business as Frank Lerner Company, 39 Broadway, New York, N. Y., in the offering and sale of common stock of Magic Mountain, Inc.

According to the Commission's order, Frank Lerner Company has been registered as a broker-dealer since March 27, 1959. During the period from approximately October 14, 1959, to October 31, 1959, Donald R. Stogo, Carl Brandon Scott, and Cass Leys were salesmen for the registrant. The Commission's order asserts that information developed in an investigation conducted by its staff tends, if true, to show that during the period from October 14 to October 31, 1959, the registrant and Stogo, Scott and Leys wilfully violated certain provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934 in the offer and sale of Magic Mountain stock by means of false and misleading representations "which operated as a fraud and deceit upon purchasers" of the stock. Among the alleged misrepresentations were the following statements: that a prominent New York businessman was taking over Magic Mountain; that said prominent New York businessman would take one million shares of two million shares which Magic Mountain was about to authorize; that said prominent New York businessman had promoted one and one-half million dollars to finish Magic Mountain; that this prominent New York businessman was putting \$20,000,000 into Magic Mountain; that the registrant's salesmen were brokers for this prominent New York businessman; that this prominent New York businessman was guaranteeing a \$200,000 grant to Magic Mountain and was taking over and promising to finish Magic Mountain by next spring; and that Magic Mountain stock would be listed and traded on a stock exchange. The Commission's order also alleges that the registrant wilfully violated the Commission's net capital rule in that, during the period from approximately July 31, 1959, to September 30, 1959, the registrant used the mails and the means and instrumentalities of interstate commerce to effect transactions in and to induce the purchase and sale of securities, otherwise than on a national securities exchange, when its aggregate indebtedness to all other persons exceeded 2,000 per centum of its net capital.

A hearing will be held at a time and place to be announced later, to determine whether the Securities laws have been violated in the respects indicated and, if so, whether the broker-dealer registration of Frank Lerner Company should be revoked, whether the registrant should be suspended or expelled from membership in the National Association of Securities Dealers, Inc., and whether Stogo, Scott, and Leys, or any of them, should be found to be causes of any order of revocation, suspension, or expulsion which may be entered by the Commission.

**WORCESTER COUNTY ELECTRIC FILES FINANCING PROPOSAL.** Worcester County Electric Company, a subsidiary of New England Electric System, has applied to the SEC for an order authorizing it to increase the amount of its common stock, \$25 par value, by 35,000 additional shares and to issue and sell such shares to New England Electric System at a price of \$60 per share. The application also requests an order authorizing the issuance and sale by Worcester, at competitive bidding, of \$7,500,000 principal amount of First Mortgage Bonds due December 1, 1989. The Commission has issued an order (Release 35-14085) giving interested persons until November 23, 1959, to request a hearing on the proposals.

Worcester will apply the proceeds from the sale of the additional common stock, amounting to \$2,100,000, and the proceeds from the sale of the new bonds, estimated at \$7,500,000, first to the payment of short-term notes payable, then outstanding, incurred for capitalizable construction expenditures, including notes payable to NEES, presently amounting to \$6,800,000. The balance will be used to pay the cost of, or the reimbursement of Worcester's treasury for, extensions, enlargements, and additions to the plant and property of the company.

**NEW ENGLAND POWER PROPOSES PREFERRED STOCK OFFERING.** New England Power Company, a subsidiary of New England Electric System, has applied to the SEC for an order authorizing it to increase the number of shares of its Dividend Series Preferred Stock, \$100 par value, by 100,000 shares; and to

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OVER

issue and sell such shares, at competitive bidding, as a second series of its Dividend Series preferred stock. The company also proposes to amend its by-laws to give the Dividend Series preferred stock certain additional protective provisions conforming to the Commission's statement of policy with respect to preferred stock. The Commission has issued an order (Release 35-14086) giving interested persons until November 23, 1959, to request a hearing on the proposals.

NEPCO presently has outstanding two series of preferred stock. One is a 6% cumulative preferred stock which was issued in 1916 and is non-callable. The other is a 4.60% Dividend Series, redeemable at any time, which was issued in 1953. The proposed additional shares of Dividend Series preferred stock will rank on a parity with the outstanding two series of preferred stocks as to dividends and assets and will have the same rights and privileges as the 4.60% Dividend Series preferred stock. The dividend rate (a multiple of .04 of 1%) and the price to be paid to the company for the stock (not less than \$100 nor more than \$102.75 per share) will be determined by competitive bidding.

Proceeds from the sale of the new preferred stock will be applied to the payment of short-term notes which, at the time of the sale of the new preferred stock, is expected to exceed \$10,000,000.

ARKANSAS POWER & LIGHT PROPOSES SALE OF BONDS AT COMPETITIVE BIDDING. Arkansas Power & Light Company, Little Rock, Ark., a subsidiary of Middle South Utilities, Inc., has applied to the SEC for an order authorizing the company to issue and sell at competitive bidding \$15,000,000 principal amount of First Mortgage Bonds due 1989, and the Commission has issued an order (Release 35-14087) giving interested persons until November 27, 1959, to request a hearing on the application. Arkansas will use the net proceeds from the sale of the bonds to pay approximately \$6,500,000 of its short-term notes expected to be outstanding, to reimburse its treasury for money expended for construction, to further its construction program, and for other corporate purposes.

TRANSAMERICA FILES FOR EXCHANGE OFFER. Transamerica Corporation, Montgomery Street at Columbus Avenue, San Francisco, Calif., filed a registration statement (File 2-15815) with the SEC on November 9, 1959, seeking registration of 832,000 shares of its capital stock, \$2 par value, to be offered to holders of the capital stock, \$6.25 par value, of American Surety Company of New York on the basis of two shares of the Transamerica stock for three shares of the American Surety stock. The offer is subject to the condition that the holders of at least 51% of the issued and outstanding shares of the capital stock of American Surety accept the exchange offer. The offer also stipulates that there shall have been no material changes in the business, properties, or financial condition of American Surety or its subsidiaries other than those occurring in the ordinary course of business, and that no dividend shall have been paid to Transamerica stockholders since September 28, 1959, nor any bonus paid to officers or employees other than those customarily paid.

In a reorganization which became effective on July 1, 1958, Transamerica divested itself of its interest in 23 subsidiary banks and ceased to be a bank holding company, and its predominant interest is now in the insurance field. Its principal subsidiaries are Occidental Life Insurance Company of California, a legal reserve life insurance company; Pacific National Fire Insurance Company and its two subsidiaries, which conduct a multiple line fire and casualty insurance business; Phoenix Title and Trust Company, engaged in Arizona in a title insurance, escrow and trust business; Capital Company, principally engaged in owning, developing, and managing real estate; and General Metals Corporation, engaged in manufacturing forging, castings, and other metal products. Transamerica also has certain minor subsidiaries and substantial investments in various other securities.

American Surety Company of New York, which was incorporated in New York in 1881, carries on a multiple line insurance business throughout the United States.

AMPEX CORPORATION FILES STOCK OPTION PLAN. Ampex Corporation, Redwood City, Calif., filed a registration statement (File 2-15816) with the SEC on November 9, 1959, seeking registration of 137,500 shares of common stock, \$1 par value, to be offered to officers and employees of the company's under its Restricted Stock Option Plan.

CITIZENS CASUALTY COMPANY OF NEW YORK PROPOSES COMMON STOCK OFFERING. Citizens Casualty Company of New York, 33 Maiden Lane, New York, New York, filed a registration statement (File 2-15817) with the SEC on November 9, 1959, seeking registration of 250,000 shares of Class A Common Stock, \$2 par value, to be offered for public sale through an underwriting group headed by Lee Higginson Corporation. The public offering price and underwriting terms are to be supplied by amendment.

The company is engaged in a general casualty insurance, fire insurance, and surety business in all states of the United States except Hawaii, and in the District of Columbia and Puerto Rico. It has outstanding 350,000 shares of Class A common stock and 200,000 shares of Class B common stock. In each of the years 1961 through 1965 40,000 shares of the Class B common stock will become convertible, on a share for share basis, into Class A common stock.

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The prospectus states that the purpose of the proposed stock sale is to provide additional capital funds which the company believes to be advisable at this time by reason of past and anticipated future increases in the volume of premium writings. The net proceeds from the sale will be added to and used as a part of the company's general funds and it is presently intended that such proceeds will be invested in income-producing securities.

**MOHAWK AIRLINES PROPOSES DEBENTURE OFFERING.** Mohawk Airlines, Inc., Utica, New York, filed a registration statement (File 2-15818) with the SEC on November 9, 1959, seeking registration of \$3,500,000 of 6% convertible subordinated debentures, due 1974. Of these debentures, \$1,917,500 are to be offered in exchange for a like amount of the company's outstanding 5½% convertible subordinated debentures, due 1966. The remainder, plus any not taken in the exchange offer, will be offered for public sale by an underwriting group headed by Dempsey-Tegeler & Co. The public offering price and underwriting terms will be supplied by amendment.

Of the proceeds from the sale of the debentures, \$308,250 will be used to pay indebtedness and the balance will be added to the company's general funds. These funds, together with retroactive mail pay expected to be received from the government, will be used to pay the expenses, estimated at \$325,000, of the company's long range program to equip its aircraft with radar; \$150,000 for improving the air conditioning systems in its seven Convair 240 aircraft; and for additional working capital and other general corporate purposes. Proceeds from the sale of any portion of the \$1,917,500 of debentures not taken up in the exchange offer will be used, together with other funds, to redeem the remaining outstanding 5½% debentures.

**FIRST MUTUAL SECURITIES SEEKS REGISTRATION OF INVESTING PLANS.** First Mutual Securities of America, Inc., 630 Third Avenue, New York, N. Y., filed a registration statement (File 2-15819) with the SEC on November 9, 1959, seeking registration of \$1,000,000 of payment plans (three types) for the accumulation of shares of Research Investing Corporation.

**UNITED CONTROL CORP. FILES FOR DEBENTURE OFFERING.** United Control Corporation, 4540 Union Bay Place, Seattle, Wash., today filed a registration statement (File 2-15820) with the SEC seeking registration of \$2,500,000 principal amount of convertible subordinated debentures due December 1, 1974, to be offered for public sale through an underwriting group headed by Blyth & Co., Inc. The interest rate, public offering price, and underwriting terms are to be supplied by amendment.

The company is engaged primarily in the design, manufacture, and sale of control systems, electronic equipment and accessory devices for military and commercial aircraft, missiles, space vehicles, and industrial uses. The prospectus states that the company plans in the near future to begin construction of a new plant. Net proceeds from the sale of the debentures will be added to the general funds of the company and will be used in the plant construction program. Although the cost of the proposed new plant has not yet been determined, it is estimated that expenditures for this purpose will not exceed \$2,000,000. The balance of such proceeds will be available for the company's general corporate purposes, including, particularly, increased research and development activity undertaken in the ordinary course of business. Pending application of such proceeds to the uses described above, the company's secured short-term bank loans (totaling \$600,000 on November 6, 1959) will be paid in full.

**ARKANSAS LOUISIANA GAS PROPOSES BOND ISSUE.** Arkansas Louisiana Gas Company, Shreveport, La., today filed a registration statement (File 2-15821) with the SEC seeking registration of \$16,000,000 of first mortgage bonds, due 1979, to be offered for public sale by an underwriting group headed by Eastman Dillon, Union Securities & Co. The interest rate, public offering price, and underwriting terms are to be supplied by amendment.

The net proceeds from the sale of the bonds will be used to prepay part of an outstanding long term bank loan in the principal amount of \$20,500,000, made in connection with the financing of the construction and acquisition program of the company and its subsidiaries. Since 1957 the company has engaged in a program of expanding existing business and diversifying into new fields. The 1959 expenditures in this program amounted to \$22,873,000 and it is anticipated that \$21,400,000 will be spent in 1960. The company expects funds for the 1960 program to be available from depreciation accruals, retained earnings, and funds on hand. If additional funds are required they will be obtained temporarily from short-term bank loans.

**BOWMAR INSTRUMENT FILES FOR OFFERING AND SECONDARY.** Bowmar Instrument Corporation, 8000 Bluffton Road, Fort Wayne, Indiana, today filed a registration statement (File 2-15822) with the SEC seeking registration of 78,000 shares of common stock, no par value, to be offered for public sale

OVER

through an underwriting group headed by Faine, Webber, Jackson & Curtis. The public offering price and underwriting terms are to be supplied by amendment. Of the shares being registered, 45,000 shares are being offered by the company and 33,000 shares are being offered by the following selling stockholders: Harold E. Korn, secretary and treasurer of the company, who is offering for sale 30,000 shares of his holdings of 53,100 shares, and Edward W. Hartman, controller, and Wilhelmine Hartman, who are offering 9,900 shares of their holdings of 30,900 shares.

Organized under the laws of Indiana in September 1951, the company is engaged in the design and manufacture of electromechanical apparatus, such as specialized controls and instruments for aircraft and missiles. It has outstanding 419,800 shares of common stock and \$300,000 of subordinated 6% notes due December 31, 1963. Edward A. White, president and director, and Joan C. White own 210,000 shares of the outstanding common stock.

The net proceeds of the 45,000 shares being sold by the company will be added to the company's general funds and will be available for general corporate purposes. A portion of the proceeds will be used to retire short-term loans, which amounted to \$200,000 at October 31, 1959, and which were incurred for working capital purposes.

DALLAS POWER & LIGHT PROPOSES BOND OFFERING. Dallas Power & Light Company, 1506 Commerce St., Dallas, Texas, today filed a registration statement (File 2-15823) with the SEC seeking registration of \$20,000,000 of first mortgage bonds, due 1989, to be offered for public sale at competitive bidding. The net proceeds to be received by the company from the sale of the bonds, together with funds derived from the company's operations, will be applied toward the repayment of short-term borrowings from its parent company, Texas Utilities Company, amounting to \$12,500,000 at September 30, 1959, incurred to meet construction requirements; for the construction of new facilities; and for other corporate purposes.

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