

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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Statistical Release No. 1876. The SEC Index of Stock Prices, based on the closing price of 300 common stocks, for the week ended January 11, 1963, for the composite and by major industry groups compared with the preceding week and with the highs and lows for 1962 is as follows:

	1957-59 = 100		Percent Change	1962	
	1/11/63	1/4/63		High	Low
Composite	132.2	130.6	+1.2	144.3	107.0
Manufacturing	123.3	121.8	+1.2	135.0	98.6
Durable Goods	118.9	117.2	+1.5	135.6	95.2
Non-Durable Goods	127.4	126.1	+1.0	134.4	101.8
Transportation	107.2	106.4	+ .8	111.0	85.5
Utility	171.8	170.3	+ .9	185.5	143.0
Trade, Finance & Service	156.3	153.5	+1.8	178.2	129.8
Mining	106.0	104.2	+1.7	113.3	83.8

SECURITIES ACT REGISTRATION STATEMENTS. During the week ended January 10, 1963, 8 registration statements were filed, 25 became effective, 8 were withdrawn, and 390 were pending at the week-end.

PRICE EXEMPTION DENIED TO MIDAMERICA MUTUAL FUND. The SEC today announced the issuance of a decision under the Investment Company Act (Release IC-3612) denying a request by Midamerica Mutual Fund, Inc., a registered open-end diversified management investment company, for an exemption from Section 22(d) of that Act in order to permit owners of certain insurance policies previously issued by Investors Life Insurance Company of Iowa (which, together with the Fund, was organized and is controlled by Life Investors of Iowa) to purchase additional shares of the Fund at a different price from that at which shares are to be sold to the general public (i.e., without a sales load).

According to the application, the Fund sought an exemption (1) to permit present holders of life insurance policies (to which coupons were attached entitling the holder to annual payments of from \$10 to \$30 on each \$1,000 policy) to use the proceeds of coupons and dividends to purchase Fund shares at net asset value without payment of a sales load, and (2) to permit the policy owners, during the period the policies remain in force, to purchase as many additional shares as they desire at net asset value, without sales load. In May 1961, the Commission granted the exemption with respect to the first proposal.

In support of its second proposal, the Fund urged among other things, that granting the exemption would not adversely affect other shareholders since the Fund would in any event receive the full net asset value for its shares; that exacting a sales charge from the coupon holders would only result in a windfall to the principal underwriter; and that the Fund had a moral obligation and may have a legal obligation to sell its shares to policyholders without a sales charge.

In its decision, the Commission majority noted that its role under the statutes it administers "is to secure for public investors maximum protections in the purchase and sale of securities," and that an important objective of Section 22(d) "is to prevent discrimination or preferential treatment in prices." The Commission held that such discrimination or preferential treatment in prices is "precisely what would result here if the application were granted." The Commission observed that beyond specific instances detailed in a Commission rule which allows sales load variations, "differences in charges can be justified as not in conflict with the statutory purpose to prevent price discrimination only if it is shown that under the particular facts, substantial equities exist in favor of those who would be accorded the lower charge which make it not unfair to give them such preferred treatment as against persons who would not qualify for the reduced charges involved;" and the Commission ruled that it has not been shown that sufficiently substantial equities exist in favor of the coupon policyholders to justify the proposed exemption. The first proposal, the Commission noted, involved an obligation of the Fund to the policyholder which is "clearly defined," whereas under the present proposal there is no limitation on purchases by coupon holders.

In a dissenting opinion, Commissioner Whitney stated that he could find "no sufficient distinction in the facts presented in the two applications. I would accord them equal treatment and grant the exemption."

FIRST FINANCIAL INVESTMENT SEEKS EXEMPTION. First Financial Investment Company, 716 North Federal Highway, Fort Lauderdale, Fla., has applied to the SEC for an order under the Investment Company Act declaring that it has ceased to be an investment company; and the Commission has issued an order (Release IC-3614) giving interested persons until January 31 to request a hearing thereon. According to the application, plans for the company to operate as an employees' investment company have been abandoned and its shareholders have voted for its dissolution. Moreover, as of November 1962 all assets had been distributed and all 11,000 outstanding common shares (held only by original incorporators) had been surrendered for liquidation.

OVER

CANADIAN INTERNATIONAL GROWTH FUND SEEKS ORDER. Canadian International Growth Fund Limited, a Canadian open-end investment company, and Van Strum & Towne, Inc. and Van Strum & Towne (Canada) Ltd., investment advisers of the Fund, have applied to the SEC for an order under the Investment Company Act exempting the advisers, during the period from February 15, 1963 until the annual meeting of shareholders of the Fund to be held on March 1, 1963, from the provisions of Section 15(a) of the Act to the extent that such provisions would prohibit the advisers from serving as such without the approval by the Fund's shareholders of new investment advisory contracts proposed to be entered into by the Fund and the advisers effective February 15, 1963; and the Commission has issued an order (Release IC-3615) giving interested persons until January 31 to request a hearing thereon. The application was filed by reason of the fact that Channing Financial Corporation, under a registration statement filed with the Commission on March 30, 1962, proposes among other things, to offer 2,020,454 shares of its common stock in exchange for capital stock of Channing Corporation, parent of the two investment advisers. If this offer is accepted by holders of 51% or more of the outstanding stock of the parent, the resulting transfer of shares may be considered an indirect transfer or "assignment" of the shares of the investment advisers.

COSMOPOLITAN LIFE & CASUALTY 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 stock offering by Cosmopolitan Life & Casualty Company, 6028 W. Glendale Ave., Glendale, Arizona. The order provides an opportunity for hearing, upon request, on the question whether the suspension should be vacated or made permanent.

Regulation A provides a conditional exemption from registration with respect to public offerings of securities not exceeding \$300,000 in amount. In a notification filed in April 1957, the company proposed the public offering of 150,000 common shares at \$2 per share. The Commission asserts in its suspension order that it has reasonable cause to believe (1) that certain terms and conditions of the Regulation were not complied with in that the company failed to file a 9-month revised offering circular due after July 1, 1962, and (2) that the company's offering circular was false and misleading in respect of certain material facts. The alleged misrepresentations related to the failure to disclose proceedings instituted in July 1962, by the Arizona Director of Insurance for liquidation and dissolution of Cosmopolitan Life Insurance Company (an affiliated mutual insurance company) because of the mutual company's "hopeless impairment"; the fact that no company stock had been sold since December 1960; the sale by the receiver of the mutual company of its insurance in effect to a non-affiliated company; the expiration in August 1962 of the company's permit to sell its securities in Arizona; and the failure of the company to impound (as it represented in the offering circular it would) the gross proceeds from its offering.

DEL CONSOLIDATED HEARING SCHEDULED. Upon request of Del Consolidated Industries, Inc., 631 North Central Ave., Phoenix, Ariz., the Commission has scheduled a hearing for January 28, 1963, in its Washington Office, to take evidence on the question whether an order of the Commission dated December 7, 1962, temporarily suspending a Regulation A exemption from Securities Act registration with respect to a public offering by that company of 70,000 common shares at \$2.50 per share, should be vacated or made permanent. The Commission's suspension order was based upon alleged false and misleading representations in the company's offering circular.

QUALITY COURTS MOTELS SHARES IN REGISTRATION. Quality Courts Motels, Inc., 101 Main St., Daytona Beach, Fla., filed a registration statement (File 2-21006) with the SEC on January 10 seeking registration of 1,267,500 shares of Class A special stock, to be offered at \$10 per share solely to the direct and indirect beneficial owners of "Quality Courts" motels (motels, existing or proposed, in respect of which memberships in Quality Courts United, Inc., a non-profit affiliated company, are held) and certain closely related persons or entities. The statement also includes 107,500 shares of common stock, to be offered at \$10 per share to employees of Quality Courts motels, Quality Courts United, and the company who have been designated by their employers. Following the expiration of such offerings, the company may make a subscription offering of common shares to the direct and indirect beneficial owners of Quality Courts motels and closely related persons and entities, such offering covering a number of common shares not in excess of the aggregate number of Class A special shares and common shares previously offered to owners and employees but not subscribed for. The company is also registering up to 100,000 additional common shares which it may offer to owners of Quality Courts motels in exchange for such motels or majority interests therein.

The company was organized under Delaware law in January 1963 to engage in the business of owning, leasing, operating and franchising motels and carrying on various related activities in serving the public, and to assume over a period of several years the servicing, advertising and other functions and activities of Quality Courts United, the members of which are individuals who are, or represent, owners and operators of existing or proposed Quality Courts motels. Quality Courts United presently has in excess of 500 member motels and it is planned that the two companies will exist side by side and will, for some time, have substantially identical employees and boards of directors. The net proceeds from the stock sales will be used to pay expenses incurred in connection with the company's organization, to acquire and lease operating assets, to proceed with acquisition of sites and construction of motels thereon, to meet initial operating expenses, and possibly to acquire existing motels or improve or expand motels. John C. Lacock is president of both companies.

SECURITIES ACT REGISTRATIONS. Effective January 11: Geo. D. Roper Corp. (File 2-20897).
Effective January 14: The JKPK Realty Co. (File 2-20490). Withdrawn January 11: Tourist Industry Development Corp. Ltd. (and State of Israel) (File 2-20637).